

CURRENT AND PROJECTED NATIONAL SECURITY THREATS TO THE UNITED STATES

HEARING BEFORE THE SELECT COMMITTEE ON INTELLIGENCE OF THE UNITED STATES SENATE ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

CURRENT AND PROJECTED NATIONAL SECURITY THREATS TO THE
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FEBRUARY 24, 2004



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CONTENTS

Hearing held in Washington, D.C., February 24, 2004	Page 1
Statement of:	
Jacoby, Vice Admiral Lowell E., USN, Director, Defense Intelligence Agency	49
Mueller, Hon. Robert S., III, Director, Federal Bureau of Investigation	38
Tenet, Hon. George J., Director, Central Intelligence Agency	5

HEARING ON CURRENT AND PROJECTED NATIONAL SECURITY THREATS TO THE UNITED STATES

TUESDAY, FEBRUARY 24, 2004

U.S. SENATE,
SELECT COMMITTEE ON INTELLIGENCE,
Washington, DC.

The Committee met, pursuant to notice, at 10:07 a.m., in Room SD-106, Dirksen Senate Office Building, the Honorable Pat Roberts, (Chairman of the Committee), presiding.

Committee Members Present: Senators Roberts, Dewine, Bond, Lott, Snowe, Hagel, Chambliss, Warner, Rockefeller, Levin, Feinstein, Durbin, Bayh, and Mikulski.

Chairman ROBERTS. The Committee will come to order.

The Senate Select Committee on Intelligence today meets in open session to conduct the public segment of its annual worldwide threat hearing. It has become the practice of the Committee to begin its annual oversight of the U.S. Intelligence Community with a public hearing so that our members and the public will have the benefit of the Intelligence Community's best assessment of the current and projected national security threats to the United States.

Our witnesses today are the Director of Central Intelligence, Mr. George Tenet; the Director of the Federal Bureau of Investigation, Mr. Robert Mueller; and the Director of the Defense Intelligence Agency, Vice Admiral Lowell Jacoby. The Committee thanks all of our distinguished witnesses for being here.

The witnesses have been asked to provide a comprehensive, unclassified assessment of the nature and extent of the current and projected national security threats to the United States. The witnesses have also been asked to highlight the significant developments in these areas that have occurred since this Committee's last worldwide threat hearing last February.

Obviously, this past year has been extremely eventful. While we have made significant progress on the war on terror and countering the proliferation of weapons of mass destruction, other threats remain and new threats do continue to emerge.

Saddam Hussein's reign of terror has rightfully been put to an end, yet peace and stability in Iraq are still threatened by continued attacks. Libya has renounced its weapons of mass destruction programs and permitted inspections that are international, while other nations, such as Iran, Syria and North Korea, refuse to dismantle ongoing weapons programs.

Non-state purveyors of WMD technologies, such as A.Q. Khan, have been identified, yet expansion of these deadly weapons remains one of the greatest threats to our national security.

Although it did not get much press attention, the President's February 11 speech at the National Defense University announced new measures to counter the threat of the proliferation of weapons of mass destruction. The President called for the modernization of these laws, the restriction on sales of nuclear technology and efforts to secure and destroy nuclear materials. Taken together with the Proliferation Security Initiative announced in May, I think it is fair to say that the President has suggested a solid plan to reduce the threat of these dangerous weapons.

The recent revelations about A.Q. Khan's illicit sale of nuclear weapons technology does demonstrate clearly how accurate and credible intelligence can be used to advance our fight against the expansion of these weapons.

Our Intelligence Community is not perfect. They are not capable of carrying the entire burden, nor should we ask them to. As the President has pointed out, it is going to take an international commitment to effectively deal with both WMD expansion and international terrorists.

While terrorists from the al-Qa'ida and other like-minded groups are on the run, they continue to target our U.S. interests at home and abroad. And in our own hemisphere, despite past U.S. efforts, the impoverished nation of Haiti is again descending into civil strife.

In short, despite our hard-fought victories, the world remains a very dangerous place. This morning, the Committee will explore these threats and others in an unclassified setting. This afternoon, we will conduct a closed session to discuss any matters that are classified.

Now, before we turn to our witnesses, I would like to point out that for the last eight months, this Committee has been engaged in a comprehensive review of the intelligence underlying the Intelligence Community's assessments regarding Iraq's weapons of mass destruction and its ties to terrorist groups. We have recently begun the process of reviewing the draft language for what will be the first of at least two reports.

In October of last year, Director Tenet asked for an opportunity to appear before our Committee before we completed our work. He will have that opportunity next Thursday in a closed session of the Committee. I anticipate that it will be the first in a number of appearances as the Committee does finalize its reports and begins to consider the recommendations for change.

With this in mind, I would like to suggest to all members that this is a hearing on the current global threat. There will be many opportunities in the coming weeks for Committee members to receive testimony and question any number of witnesses about the prewar intelligence in regard to Iraq. We have invited our witnesses here today to address the current threats and so I am suggesting that members please keep their questions focused on that topic.

Before turning to Director Tenet for his testimony, I turn to Senator Rockefeller for his opening statement.

Mr. Vice Chairman.

Vice Chairman ROCKEFELLER. Thank you very much, Mr. Chairman. And I join you in welcoming our witnesses today. There were, I thought, to be four, but INR, evidently, was not able to work it out, I think due to a late invitation which is, I think, noteworthy, but not worth an opening statement.

Chairman ROBERTS. Senator, would you yield on that point?

Vice Chairman ROCKEFELLER. Of course.

Chairman ROBERTS. We have asked INR to come. We asked them previously to come. They felt that the testimony by the DCI would cover their responsibilities. They have an acting director.

When we asked them again to come just a few days ago, knowing of some interest in the press about that, they indicated that they would prefer not to appear and said, again, that the DCI would cover their responsibilities. It is not any situation where they were not asked to come.

Vice Chairman ROCKEFELLER. Well, I'll let that statement stand for the Chairman, who I greatly respect.

The question I'm wrestling with this morning is whether, in fact, we are as a country and as a people safer today than we were when the three of you were here a year ago. We fought a war against a vicious dictator, but bringing security to Iraq remains elusive and we're paying a very high price in blood and resources.

We're also paying a high price in world public opinion, which is important, not just for its own sake but in order to obtain the cooperation necessary to achieve greater security. I worry that rapidly-declining support for the U.S. could further undermine stability in the Middle East and stimulate the recruitment of a new generation of anti-American jihadists.

Clearly, we have enjoyed progress in broadening the international coalition against terrorism and we have seriously disrupted al-Qa'ida's structure and operations, though they are certainly by no means inactive for the future.

But the underlying strategic concerns, in terms of regional demographics, economic opportunity, education, ideologies, still appear to be moving generally in the wrong direction, according to this Senator, in most of the developing world. Rapid population growth and uneven economic development in the Third World are straining the fabric of many nations. Add that to the AIDS crisis, and much of sub-Saharan African seems to teeter on the verge of anarchy, much as we are seeing in Haiti today. Liberia avoided a complete collapse last year; I'm not quite sure how, whether it was us or the Nigerians or some combination thereof, or whether we may simply have postponed the inevitable by not addressing that.

The situation in Latin America, while not as dire, except for the case of Colombia, is very worrisome. Many Latin American countries are unable to keep pace with globalization and there is a growing disparity, as everywhere, between rich and poor.

While we're focused on the Middle East today, the potential for violence and the strengthening of radical movements in other regions seems to be increasing. Economic and political desperation, combined with increasing resentment of U.S. economic might, our cultural influence, military supremacy, make us the target of much of the world's anger; we know that.

That anger spills over to leaders who cooperate with the United States, adding to the instability in some of the most dangerous regions of this world. People are angry at us and they're angry at their leaders for following along with us or they're angry at their leaders just because they're angry at their leaders because they're not doing anything to help them.

Whatever the combination, it doesn't bode well. These are not immediate, but they are growing threats that I think we need to be addressing. And I fear that we are not addressing them, and that we cannot—and I hope our witnesses will respond to this—our intelligence and military are structured in a way which I'm not sure of their capacity to expand with experienced personnel much farther or in time to deal with what we're going to have to deal with.

Our intelligence, law enforcement agencies are doing a good job of capturing al-Qa'ida operatives and disrupting terrorist plots. The Intelligence Community did a commendable job, in my view, in supporting our troops in the invasion of Iraq. But our success in supporting tactical operations is of little value if we fundamentally misread strategic threats and challenges.

And I close by forming it this way. It now appears that Iran has had a much more advanced WMD capability and much closer links to dangerous terrorists than Saddam Hussein ever did. But our credibility has suffered because we have not found WMD in Iraq, and I fear we now will find it much harder to build international consensus, support to deal with Iran, should that be necessary, and other countries of such concern, for example, North Korea.

I look forward to hearing from our witnesses and I thank the Chairman.

Chairman ROBERTS. Senator Warner. Members will have six minutes.

I beg your pardon. It might be certainly more acceptable to give the Director his opportunity to make his testimony first along with Mr. Mueller and Admiral Jacoby before we turn to Senator Warner, although I'm sure he could entertain us for at least 30 minutes. [Laughter.]

I would now recognize the DCI, Mr. George Tenet.

[The prepared statement of Director Tenet follows:]

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24 February 2004

DCI's Worldwide Threat Briefing**The Worldwide Threat 2004: Challenges in a Changing Global Context**

Good morning, Mr. Chairman, Mr. Vice Chairman, Members of the Committee.

Mr. Chairman, last year I described a national security environment that was significantly more complex than at any time during my tenure as Director of Central Intelligence. The world I will discuss today is equally, if not more, complicated and fraught with dangers for United States interests, but one that also holds great opportunity for positive change.

TERRORISM

I'll begin today on terrorism, with a stark bottom-line:

- The al-Qa`ida leadership structure we charted after September 11 is seriously damaged—but the group remains as committed as ever to attacking the US homeland.
- But as we continue the battle against al-Qa`ida, we must overcome a *movement*—a global movement infected by al-Qa`ida's radical agenda.
- In this battle we are moving forward in our knowledge of the enemy—his plans, capabilities, and intentions.
- And what we've learned continues to validate my deepest concern: that this enemy remains intent on obtaining, and using, catastrophic weapons.

Now let me tell you about the war we've waged against the al-Qa`ida organization and its leadership.

- Military and intelligence operations by the United States and its allies overseas have degraded the group. Local al-Qa`ida cells are forced to make their own decisions because of disarray in the central leadership.

Al-Qa`ida depends on leaders who not only direct terrorist attacks but who carry out the day-to-day tasks that support operations. Over the past 18 months, we have killed or captured key al-Qa`ida leaders in every significant operational area—logistics, planning, finance, training—and have eroded the key pillars of the organization, such as the leadership in Pakistani urban areas and operational cells in the al-Qa`ida heartland of Saudi Arabia and Yemen.

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The list of al-Qa`ida leaders and associates who will never again threaten the American people includes:

- Khalid Shaykh Muhammad, al-Qa`ida's operations chief and the mastermind of the September 11 attacks.
- Nashiri, the senior operational planner for the Arabian Gulf area.
- Abu Zubayda, a senior logistics officer and plotter.
- Hasan Ghul, a senior facilitator who was sent to case Iraq for an expanded al-Qa`ida presence there.
- Harithi and al-Makki, the most senior plotters in Yemen, who were involved in the bombing of the USS Cole.
- Hambali, the senior operational planner in Southeast Asia.

We are creating large and growing gaps in the al-Qa`ida hierarchy.

And, unquestionably, bringing these key operators to ground disrupted plots that would otherwise have killed Americans.

Meanwhile, al-Qa`ida central continues to lose operational safehavens, and Bin Ladin has gone deep underground. We are hunting him in some of the most unfriendly regions on earth. We follow every lead.

Al-Qa`ida's finances are also being squeezed. This is due in part to takedowns of key money men in the past year, particularly the Gulf, Southwest Asia, and even Iraq.

And we are receiving a broad array of help from our coalition partners, who have been central to our effort against al-Qa`ida.

- Since the 12 May bombings, the Saudi government has shown an important commitment to fighting al-Qa`ida in the Kingdom, and Saudi officers have paid with their lives.
- Elsewhere in the Arab world, we're receiving valuable cooperation from Jordan, Morocco, Egypt, Algeria, the UAE, Oman, and many others.
- President Musharraf of Pakistan remains a courageous and indispensable ally who has become the target of assassins for the help he's given us.
- Partners in Southeast Asian have been instrumental in the roundup of key regional associates of al-Qa`ida.

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- Our European partners worked closely together to unravel and disrupt a continent-wide network of terrorists planning chemical, biological and conventional attacks in Europe.

So we have made notable strides. But do not misunderstand me. I am not suggesting al-Qa'ida is defeated. It is not. We are still at war. This is a learning organization that remains committed to attacking the United States, its friends and allies.

Successive blows to al-Qa'ida's central leadership have transformed the organization into a loose collection of regional networks that operate more autonomously. These regional components have demonstrated their operational prowess in the past year.

- The sites of their attacks span the entire reach of al-Qa'ida—Morocco, Kenya, Turkey, Jordan, Saudi Arabia, Kuwait, Afghanistan, Pakistan, Indonesia.
- And al-Qa'ida seeks to influence the regional networks with operational training, consultations, and money. Khalid Shaykh Muhammad sent Hambali \$50,000 for operations in Southeast Asia.

You should not take the fact that these attacks occurred abroad to mean the threat to the US homeland has waned. As al-Qa'ida and associated groups undertook these attacks overseas, detainees consistently talk about the importance the group still attaches to striking the main enemy: the United States. Across the operational spectrum—air, maritime, special weapons—we have time and again uncovered plots that are chilling.

- On aircraft plots alone, we have uncovered new plans to recruit pilots and to evade new security measures in Southeast Asia, the Middle East, and Europe.
- Even catastrophic attacks on the scale of 11 September remain within al-Qa'ida's reach. Make no mistake: these plots are hatched abroad, but they target US soil or that of our allies.

So far, I have been talking only about al-Qa'ida. But al-Qa'ida is not the limit of terrorist threat worldwide. Al-Qa'ida has infected others with its ideology, which depicts the United States as Islam's greatest foe. Mr. Chairman, what I want to say to you now may be the most important thing I tell you today.

The steady growth of Usama bin Ladin's anti-US sentiment through the wider Sunni extremist movement and the broad dissemination of al-Qa'ida's destructive expertise ensure that a serious threat will remain for the foreseeable future—with or without al-Qa'ida in the picture.

A decade ago, bin Ladin had a vision of rousing Islamic terrorists worldwide to attack the United States. He created al-Qa'ida to indoctrinate a worldwide movement in

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global jihad, with America as the enemy—an enemy to be attacked with every means at hand.

- In the minds of Bin Ladin and his cohorts, September 11 was the shining moment, their “shot heard ‘round the world,” and they want to capitalize on it.

And so, even as al-Qa`ida reels from our blows, other extremist groups within the movement it influenced have become the next wave of the terrorist threat. Dozens of such groups exist. Let me offer a few thoughts on how to understand this challenge.

- One of the most immediate threats is from smaller *international* Sunni extremist groups who have benefited from al-Qa`ida links. They include groups as diverse as the al-Zarqawi network, the Ansar al-Islam in Iraq, the Libyan Islamic Fighting Group, and the Islamic Movement of Uzbekistan.
- A second level of threat comes from small local groups, with limited *domestic* agendas, that work with international terrorist groups in their own countries. These include the Salafiya Jihadia, a Moroccan network that carried out the May 2003 Casablanca bombings, and similar groups throughout Africa and Asia.

These far-flung groups increasingly set the agenda, and are redefining the threat we face. They are not all creatures of Bin Ladin, and so their fate is not tied to his. They have autonomous leadership, they pick their own targets, they plan their own attacks.

Beyond these groups are the so-called “foreign jihadists”—individuals ready to fight anywhere they believe Muslim lands are under attack by what they see as “infidel invaders.” They draw on broad support networks, have wide appeal, and enjoy a growing sense of support from Muslims are not necessarily supporters of terrorism. The foreign jihadists see Iraq as a golden opportunity.

Let me repeat: for the growing number of jihadists interested in attacking the United States, a spectacular attack on the US Homeland is the “brass ring” that many strive for—with or without encouragement by al-Qa`ida’s central leadership.

To detect and ultimately defeat these forces, we will continually need to watch hotspots, present or potential battlegrounds, places where these terrorist networks converge. Iraq is of course one major locus of concern. Southeast Asia is another. But so are the backyards of our closest allies. Even Western Europe is an area where terrorists recruit, train, and target.

- To get the global job done, foreign governments will need to improve bilateral and multilateral, and even inter-service cooperation, and strengthen domestic counterterrorist legislation and security practices.

Mr. Chairman, I have consistently warned this committee of al-Qa`ida’s interest

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in chemical, biological, radiological and nuclear weapons. Acquiring these remains a "religious obligation" in Bin Ladin's eyes, and al-Qa`ida and more than two dozen other terrorist groups are pursuing CBRN materials.

- We particularly see a heightened risk of poison attacks. Contemplated delivery methods to date have been simple but this may change as non-Al-Qa`ida groups share information on more sophisticated methods and tactics.

Over the last year, we've also seen an increase in the threat of more sophisticated CBRN. For this reason we take very seriously the threat of a CBRN attack.

- Extremists have widely disseminated assembly instructions for an improvised chemical weapon using common materials that could cause a large numbers of casualties in a crowded, enclosed area.
- Although gaps in our understanding remain, we see al-Qa`ida's program to produce anthrax as one of the most immediate terrorist CBRN threats we are likely to face.
- Al-Qa`ida continues to pursue its strategic goal of obtaining a nuclear capability. It remains interested in dirty bombs. Terrorist documents contain accurate views of how such weapons would be used.

I've focused, and rightly so, on al-Qa`ida and related groups. But other terrorist organizations also threaten US interests. Palestinian terrorist groups in Israel, the West Bank, and Gaza remain a formidable threat and continue to use terrorism to undermine prospects for peace.

- Last year Palestinian terrorist groups conducted more than 600 attacks, killing about 200 Israelis and foreigners, including Americans.

Lebanese Hizballah cooperates with these groups and appears to be increasing its support. It is also working with Iran and surrogate groups in Iraq and would likely react to an attack against it, Syria, or Iran with attacks against US and Israeli targets worldwide.

Iran and Syria continue to support terrorist groups, and their links into Iraq have become problematic to our efforts there.

Although Islamic extremists comprise the most pressing threat to US interests, we cannot ignore nominally leftist groups in Latin America and Europe. The Revolutionary Armed Forces of Colombia, or FARC and the National Liberation Army (ELN), Colombia's second largest leftist insurgent group have shown a willingness to attack US targets. So has the Revolutionary People's Liberation Party/Front—a Turkish group that has killed two US citizens and targeted US interests in Turkey.

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Finally, cyber vulnerabilities are another of our concerns, with not only terrorists but foreign governments, hackers, crime groups, and industrial spies attempting to obtain information from our computer networks.

IRAQ

Mr. Chairman, we are making significant strides against the insurgency and terrorism, but former regime elements and foreign jihadists continue to pose a serious threat to Iraq's new institutions and to our own forces.

- At the same time, sovereignty will be returned to an interim Iraqi government by 1 July, although the structure and mechanism for determining this remain unresolved.
- The emerging Iraqi leadership will face many pressing issues, among them organizing national elections, integrating the Sunni minority into the political mainstream, managing Kurdish autonomy in a federal structure, and the determining the role of Islam in the Iraqi state.

Meanwhile, Mr. Chairman, the important work of the Iraqi Survey Group and the hunt for Iraqi weapons of mass destruction continues. We must explore every avenue in our quest to understand Iraq's programs out of concern for the possibility that materials, weapons, or expertise might fall into the hands of insurgents, foreign states, or terrorists. As you know, I'll talk about this at length next week.

Despite progress in Iraq, the overall security picture continues to concern me. Saddam is in prison, and the Coalition has killed or apprehended all but 10 of his 54 key cronies. And Iraqis are taking an increasing role in their own defense, with many now serving in the various new police, military, and security forces.

- But the violence continues. The daily average number of attacks on US and Coalition military forces has dropped from its November peak but is similar to that of August.
- And many other insurgent and terrorist attacks undermine stability by striking at, and seeking to intimidate, those Iraqis willing to work with the Coalition.

The insurgency we face in Iraq comprises multiple groups with different motivations but with the same goal: driving the US and our Coalition partners from Iraq. Saddam's capture was a psychological blow that took some of the less-committed Ba'thists out of the fight, but a hard core of former regime elements—Ba'th Party officials, military, intelligence, and security officers—are still organizing and carrying out attacks.

- Intelligence has given us a good understanding of the insurgency at the local

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level, and this information is behind the host of successful raids you've read about in the papers.

US military and Intelligence Community efforts to round up former regime figures have disrupted some insurgent plans to carry out additional anti-Coalition attacks. But we know these Ba'thist cells are intentionally decentralized to avoid easy penetration and to prevent the roll-up of whole networks. Arms, funding, and military experience remain readily available.

Mr. Chairman, the situation as I've described it—both our victories and our challenges—indicates we have damaged, but not yet defeated, the insurgents.

The security situation is further complicated by the involvement of terrorists—including Ansar al-Islam (AI) and al-Zarqawi—and foreign jihadists coming to Iraq to wage jihad. Their goal is clear. They intend to inspire an Islamic extremist insurgency that would threaten Coalition forces and put a halt to the long-term process of building democratic institutions and governance in Iraq. They hope for a Taliban-like enclave in Iraq's Sunni heartland that could be a jihadist safehaven.

- AI—an Iraqi Kurdish extremist group—is waging a terrorist campaign against the coalition presence and cooperative Iraqis in a bid to inspire jihad and create an Islamic state.
- Some extremists go even further. In a recent letter, terrorist planner Abu Mus'ab al-Zarqawi outlined his strategy to foster sectarian civil war in Iraq, aimed at inciting the Shia.

Stopping the foreign extremists from turning Iraq into their most important jihad yet rests in part on preventing loosely connected extremists from coalescing into a cohesive terrorist organization.

- We are having some success—the Coalition has arrested key jihadist leaders and facilitators in Iraq, including top leaders from Ansar al-Islam, the al-Zarqawi network, and other al-Qa'ida affiliates.
- The October detention of AI's deputy leader set back the group's ambition to establish itself as an umbrella organization for jihadists in Iraq.

And we're also concerned that foreign jihadists and former regime elements might coalesce. This would link local knowledge and military training with jihadist fervor and lethal tactics. At this point, we've seen a few signs of such cooperation at the tactical or local level.

Ultimately, the Iraqi people themselves must provide the fundamental solutions. As you well know, the insurgents are incessantly and violently targeting Iraqi police and

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security forces precisely because they fear the prospect of Iraqis securing their own interests. Success depends on broadening the role of the local security forces.

- This goes well beyond greater numbers. It means continuing work already under way—fixing equipment shortages, providing training, ensuring adequate pay—to build a force of increasing quality and confidence that will have the support of the Iraqi people.

It is hard to overestimate the importance of greater security for Iraqis particularly as we turn to the momentous political events slated for 2004.

- The real test will begin soon after the transfer of sovereignty, when we'll see the extent to which the new Iraqi leaders embody concepts such as pluralism, compromise, and rule of law.

Iraqi Arabs—and many Iraqi Kurds—possess a strong Iraqi identity, forged over a tumultuous 80 year history and especially during the nearly decade-long war with Iran. Unfortunately, Saddam's divide and rule policy and his favored treatment of the Sunni minority aggravated tensions to the point where the key to governance in Iraq today is managing these competing sectional interests.

Here's a readout on where these groups stand:

- The majority SHIA look forward to the end of Sunni control, which began with the British creation of Iraq. The Shia community nevertheless has internal tensions, between the moderate majority and a radical minority that wants a Shia-dominated theocracy.
- The KURDS see many opportunities to advance long held goals: retaining the autonomy they enjoyed over the past twelve years and expanding their power and territory.
- The minority SUNNI fear Shia and Kurdish ambitions. Such anxieties help animate Sunni support for the insurgents. The Sunni community is still at a very early state of establishing political structures to replace the defeated Ba'th party.

I should qualify what I've just said: no society, and surely not Iraq's complex tapestry, is so simple as to be captured in three or four categories. Kurds. Shia. Sunni. In reality, Iraqi society is filled with more cleavages, *and* more connections, than a simple typology can suggest. We seldom hear about the strong tribal alliances that have long existed between Sunni and Shia, or the religious commonalities between the Sunni Kurd and Arab communities, or the moderate secularism that spans Iraqi groups.

- We tend to identify, and stress, the tensions that rend communities apart, but opportunities also exist for these group to work together for common ends.

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The social and political interplay is further complicated by Iran, especially in the south, where Tehran pursues its own interests and hopes to maximize its influence among Iraqi Shia after 1 July. Organizations supported by Iran—Supreme Council for the Islamic Revolution in Iraq (SCIRI) and its Badr Organization militia—have gained positions within the Iraqi police and control media outlets in Basrah that tout a pro-Iran viewpoint.

- Tehran also runs humanitarian and outreach programs that have probably enhanced its reputation among Iraqi Shia, but many remain suspicious.

The most immediate political challenge for the Iraqis is to choose the transitional government that will rule their country while they write their permanent constitution. The Shia cleric Grand Ayatollah Muhammad Ali al-Sistani has made this selection process the centerpiece of his effort to ensure that Iraqis will decide their own future and choose the first sovereign post-Saddam government.

- Sistani favors direct elections as the way to produce a legitimate, accountable government.
- Sistani's religious pronouncements show that, above all, he wants Iraq to be independent of foreign powers. Moreover, his praise of free elections and his theology reflect, in our reading, a clearcut opposition to theocracy, Iran-style.

Once the issues involving the selection of an transitional government are settled, Iraq's permanent constitution will begin to take shape. Here the Iraqi government and the framers of the constitution will have to address three urgent concerns: integrating the Sunni minority into the political mainstream, managing Kurdish autonomy in a federal structure, and determining the role of Islam in the Iraqi state.

The Sunni. Sunnis are at least a fifth of the population, inhabit the country's strategic heartland, and comprise a sizable share of Iraq's professional and middle classes. The Sunni are disaffected as a deposed ruling minority, but some are beginning to recognize that boycotting the emerging political process will weaken their community. Their political isolation may be breaking down in parts of the Sunni triangle, where some Sunni Arabs have begun to engage the Coalition and assume local leadership roles. And in the past three months we have also seen the founding of national-level Sunni umbrella organizations to deal with the Coalition and the Governing Council on questions like Sunni participation in choosing the transitional government.

Federalism. The Transitional Administrative Law is just now being completed, and the way it deals with the relationship between the political center and Iraq's diverse ethnic and religious communities will frame the future constitutional debate. To make a federal arrangement stick, Kurdish and Arab Iraq leaders will need to explain convincingly that a federal structure benefits all Iraqis and not just the Kurds. And even so, a host of difficult issues—control over oil and security being perhaps the most

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significant—may provoke tension between Kurdish and central Iraqi authorities.

Islam. The current draft of the Transitional Administrative Law makes Islam Iraq's official creed but protects religious freedom. It also creates an Iraqi legal system that is a mix of traditions, including Islamic law—but as only one legal element among many. This compromise is already under fire by Sunni Islamists who want Islam to be the sole source of law.

I don't want to allow the important security and political stories to crowd out others we should also be telling, including the often neglected one about Iraq's sizable economic potential. It's true that rebuilding will go on for years—the Saddam regime left in its wake a devastated, antiquated, underfunded infrastructure. But reconstruction progress and Iraq's own considerable assets—its natural resources and its educated populace—should enable the Iraqis to see important improvement in 2004 in their infrastructure and their quality of life.

- Over the next few years, they'll open more hospitals and build more roads than anyone born under Saddam has witnessed.

The recovery of Iraqi oil production will help. Production is on track to approach 3.0 million barrels per day by the end of this year. Iraq hasn't produced this much oil since before the 1991 Gulf war. By next year, revenues from oil exports should cover the cost of basic government operations and contribute several billion dollars toward reconstruction. It is essential, however, that the Iraq-Turkey pipeline be reopened and oil facilities be well protected from insurgent sabotage.

Much more needs to be done. Key public services such as water, sewage, and transportation will have difficulty reaching prewar levels by July and won't meet the higher target of total Iraqi demand.

- Electric power capacity approaches prewar levels but still falls short of peak demand. Looting and sabotage may make supplies unreliable.
- Finally, unemployment and underemployment, which afflicts about a half of the workforce, will remain a key problem and a potential breeding ground for popular discontent.

PROLIFERATION

Mr. Chairman, I'll turn now to worldwide trends in proliferation. This picture is changing before our eyes—changing at a rate I have not seen since the end of the Cold War. Some of it is good news—I'll talk about the Libya and AQ Khan breakthroughs, for example—and some of it is disturbing. Some of it shows our years of work paying off, and some of it shows the work ahead is harder.

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We are watching countries of proliferation concern choose different paths as they calculate the risks versus gains of pursuing WMD.

- Libya is taking steps toward strategic disarmament.
- North Korea is trying to leverage its nuclear program into at least a bargaining chip and also international legitimacy and influence.
- And Iran is exposing some programs while trying to preserve others.

I'll start with LIBYA, which appears to be moving toward strategic disarmament. For years Qadhafi had been chafing under international pariah status. In March 2003, he made a strategic decision and reached out through British intelligence with an offer to abandon his pursuit of WMD.

That launched nine months of delicate negotiations where we moved the Libyans from a stated willingness to *renounce* WMD to an explicit and public commitment to *expose and dismantle* their WMD programs. The leverage was intelligence. Our picture of Libya's WMD programs allowed CIA officers and their British colleagues to press the Libyans on the right questions, to expose inconsistencies, and to convince them that holding back was counterproductive. We repeatedly surprised them with the depth of our knowledge.

- For example, US and British intelligence officers secretly traveled to Libya and asked to inspect Libya's ballistic missile programs. Libyan officials at first failed to declare key facilities, but our intelligence convinced them to disclose several dozen facilities, including their deployed Scud B sites and their secret North Korean-assisted Scud C production line.
- When we were tipped to the imminent shipment of centrifuge parts to Libya in October, we arranged to have the cargo seized, showing the Libyans that we had penetrated their most sensitive procurement network.

By the end of the December visit, the Libyans:

- Admitted having a nuclear weapons program and having bought uranium hexafluoride feed material for gas centrifuge enrichment.
- Admitted having nuclear weapon design documents.
- Acknowledged having made about 25 tons of sulfur mustard CW agent, aerial bombs for the mustard, and small amounts of nerve agent.
- Provided access to their deployed Scud B forces and revealed details of indigenous missile design work and of cooperation with North Korea on the

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800-km range Scuds Cs.

From the very outset of negotiations, Qadhafi requested the participation of international organizations to help certify Libyan compliance. Tripoli has agreed to inspections by the IAEA and the Organization for the Prohibition of Chemical Weapons (OPCW) and to abide by the range limitations of the Missile Technology Control Regime (MTCR). We have briefed information on Tripoli's programs to various international monitoring organizations. IAEA and OPCW officials have already followed up with visits to Libya. Some discrepancies remain, but we will continue to collect additional information and closely monitor Libya's adherence to the commitments it has made.

In contrast to Libya, NORTH KOREA is trying to leverage its nuclear programs into international legitimacy and bargaining power, announcing its withdrawal from the Nonproliferation Treaty and openly proclaiming that it has a nuclear deterrent.

Since December 2002, Pyongyang has announced its withdrawal from the Nonproliferation Treaty and expelled IAEA inspectors. Last year Pyongyang claimed to have finished reprocessing the 8,000 fuel rods that had been sealed by US and North Korean technicians and stored under IAEA monitoring since 1994.

- The Intelligence Community judged in the mid-1990s that North Korea had produced one, possibly two, nuclear weapons. The 8000 rods the North claims to have processed into plutonium metal would provide enough plutonium for several more.

We also believe Pyongyang is pursuing a production-scale uranium enrichment program based on technology provided by AQ Khan, which would give North Korea an alternative route to nuclear weapons.

Of course, we are concerned about more than just North Korea's nuclear program. North Korea has longstanding CW and BW capabilities and is enhancing its BW potential as it builds its legitimate biotechnology infrastructure. Pyongyang is sending individuals abroad and is seeking dual-use expertise and technology.

North Korea also continues to advance its missile programs. North Korea is nearly self-sufficient in ballistic missiles, and has continued procurement of raw materials and components for its extensive ballistic missile programs from various foreign sources. The North also has demonstrated a willingness to sell complete systems and components that have enabled other states to acquire longer-range capabilities and a basis for domestic development efforts earlier than would otherwise have been possible.

- North Korea has maintained a unilateral long-range missile launch moratorium since 1999, but could end that with little or no warning. The multiple-stage Taepo Dong-2—capable of reaching the United States with a nuclear weapon-sized payload—may be ready for flight-testing.

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IRAN is taking yet a different path, acknowledging work on a covert nuclear fuel cycle while trying to preserve its WMD options. I'll start with the good news: Tehran acknowledged more than a decade of covert nuclear activity and agreed to open itself to an enhanced inspection regime. Iran for the first time acknowledged many of its nuclear fuel cycle development activities—including a large-scale gas centrifuge uranium enrichment effort. Iran claims its centrifuge program is designed to produce low-enriched uranium, to support Iran's civil nuclear power program. This is permitted under the Nonproliferation Treaty, but—and here's the downside—the same technology can be used to build a military program as well.

- The difference between producing low-enriched uranium and weapons-capable high-enriched uranium is only a matter of time and intent, not technology. It would be a significant challenge for intelligence to confidently assess whether that red line had been crossed.

Finally, Iran's missile program is both a regional threat and a proliferation concern. Iran's ballistic missile inventory is among the largest in the Middle East and includes the 1300-km range Shahab-3 MRBM as well as a few hundred SRBMs. Iran has announced production of the Shahab-3 and publicly acknowledged development of follow-on versions. During 2003, Iran continued R&D on its longer-range ballistic missile programs, and publicly reiterated its intention to develop space launch vehicles (SLVs)—and SLVs contain most of the key building blocks for an ICBM. Iran could begin flight testing these systems in the mid- to latter-part of the decade.

- Iran also appears willing to supply missile-related technology to countries of concern and publicly advertises its artillery rockets and related technologies, including guidance instruments and missile propellants.

Let me turn now to a different aspect of the evolving WMD threat. I want to focus on how countries and groups are increasingly trying to get the materials they need for WMD. I'll focus on two important stories:

- The roll-up of AQ Khan and his network, one of the most significant counter-proliferation successes in years and one in which intelligence led the way.
- The difficulty of uncovering both proliferators masquerading as legitimate businessmen and possible BW or CW plants appearing to be legitimate "dual-use" facilities.

As I pointed out last year, Mr. Chairman, WMD technologies are no longer the sole province of nation-states. They might also come about as a result of business decisions made by private entrepreneurs and firms.

As you now know, those comments were my way of referring to AQ Khan without mentioning his name in open session. Until recently, Khan, popularly known as

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the “father of the Pakistani bomb,” was the most dangerous WMD entrepreneur. For 25 years Khan directed Pakistan’s uranium enrichment program. He built an international network of suppliers to support uranium enrichment efforts in Pakistan that also supported similar efforts in other countries.

- Khan and his network had been unique in being able to offer one-stop shopping for enrichment technology and weapons design information. With such assistance, a potentially wide range of countries could leapfrog the slow, incremental stages of other nuclear weapons development programs.

The actions taken against Khan’s network—like the example of Libya I laid out earlier—were largely the result of intelligence.

- Intelligence discovered, pieced together, tracked, and penetrated Khan’s worldwide hidden network.

But every public success we enjoy can be used by people like Khan to adjust, adapt, and evade. Proliferators hiding among legitimate businesses, and countries hiding their WMD programs inside legitimate dual-use industries, combine to make private entrepreneurs dealing in lethal goods one of our most difficult intelligence challenges.

In support of these WMD programs, new procurement strategies continue to hamper our ability to assess and warn on covert WMD programs. Acquisitions for such programs aren’t the work of secret criminal networks that skirt international law. They’re done by businessmen, in the open, in what seems to be legal trade in high-technology.

The dual-use challenge is especially applicable to countries hiding biological and chemical warfare programs. With dual-use technology and civilian industrial infrastructure, countries can develop BW and CW capabilities. Biotechnology is especially dual-edged: Medical programs and technology could easily support a weapons program, because nearly every technology required for biological weapons also has a legitimate application.

Now I’ll turn to a brief run-down of some significant missile programs apart from those I’ve already discussed.

China continues an aggressive missile modernization program that will improve its ability to conduct a wide range of military options against Taiwan supported by both cruise and ballistic missiles. Expected technical improvements will give Beijing a more accurate and lethal missile force. China is also moving on with its first generation of mobile strategic missiles.

- Although Beijing has taken steps to improve ballistic missile related export controls, Chinese firms continue to be a leading source of relevant technology and

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continue to work with other countries on ballistic missile-related projects.

South Asian ballistic missile development continues apace. Both India and Pakistan are pressing ahead with development and testing of longer-range ballistic missiles and are inducting additional SRBMs into missile units. Both countries are testing missiles that will enable them to deliver nuclear warheads to greater distances.

Last year Syria continued to seek help from abroad to establish a solid-propellant rocket motor development and production capability. Syria's liquid-propellant ballistic missile program continued to depend on essential foreign equipment and assistance, primarily from North Korean entities. Syria is developing longer-range missile programs, such as a Scud D and possibly other variants, with assistance from North Korea and Iran.

Many countries remain interested in developing or acquiring land-attack cruise missiles, which are almost always significantly more accurate than ballistic missiles and complicate missile defense systems. Unmanned aerial vehicles are also of growing concern.

To conclude my comments on proliferation, I'll briefly run through some WMD programs I have not yet discussed, beginning with Syria.

Syria is an NPT signatory with full-scope IAEA safeguards and has a nuclear research center at Dayr Al Hajar. Russia and Syria have continued their long-standing agreements on cooperation regarding nuclear energy, although specific assistance has not yet materialized. Broader access to foreign expertise provides opportunities to expand its indigenous capabilities and we are closely monitoring Syrian nuclear intentions. Meanwhile, Damascus has an active CW development and testing program that relies on foreign suppliers for key controlled chemicals suitable for producing CW.

Finally, we remain alert to the vulnerability of Russian WMD materials and technology to theft or diversion. We are also concerned by the continued eagerness of Russia's cash-strapped defense, biotechnology, chemical, aerospace, and nuclear industries to raise funds via exports and transfers—which makes Russian expertise an attractive target for countries and groups seeking WMD and missile-related assistance.

PIVOTAL STATES

I'm going to comment now on three countries we obviously pay a great deal of attention to: North Korea, China, and Russia.

The NORTH KOREAN regime continues to threaten a range of US, regional, and global security interests. As I've noted earlier, Pyongyang is pursuing its nuclear weapons program and nuclear-capable delivery systems. It continues to build its missile forces, which can now reach all of South Korea and Japan, and to develop longer-range missiles that could threaten the United States.

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The North also exports complete ballistic missiles and production capabilities, along with related components and expertise. It continues to export narcotics and other contraband across the globe.

Moreover, the forward-deployed posture of North Korea's armed forces remains a near-term threat to South Korea and to the 37,000 US troops stationed there. Recall that early last year as tensions over the nuclear program were building, Pyongyang intercepted a US reconnaissance aircraft in international airspace.

Kim Chong-il continues to exert a tight grip on North Korea as supreme leader. The regime's militarized, Soviet-style command economy is failing to meet the population's food and economic needs. Indeed, the economy has faltered to the point that Kim has permitted some new economic initiatives, including more latitude for farmers' markets, but these changes are a far cry from the systemic economic reform needed to revitalize the economy. The accumulated effect of years of deprivation and repression places significant stresses on North Korean society.

- The Kim regime rules largely through fear, intimidation, and indoctrination, using the country's large and pervasive security apparatus, its system of camps for political prisoners, and its unrelenting propaganda to maintain control.

Mr. Chairman, CHINA continues to emerge as a great power and expand its profile in regional and international politics—but Beijing has cooperated with Washington on some key strategic issues.

- The Chinese have cooperated in the war on terrorism and have been willing to host and facilitate multilateral dialogue on the North Korean nuclear problem—in contrast to Beijing's more detached approach to that problem a decade ago.

Beijing is making progress in asserting its influence in East Asia. Its activist diplomacy in the neighborhood is paying off, fueled in large part by China's robust economy. China's growth continues to outpace all others in the region, and its imports of goods from other East Asian countries are soaring. As a result, Beijing is better positioned to sell its neighbors on the idea that what is good for the Chinese economy is good for Asia.

- That said, China's neighbors still harbor suspicions about Beijing's long-term intentions. They generally favor a sustained US military presence in the region as insurance against potential Chinese aggression.

Our greatest concern remains China's military buildup, which continues to accelerate. Last year, Beijing reached new benchmarks in its production or acquisition from Russia of missiles, submarines, other naval combatants, and advanced fighter aircraft. China also is downsizing and restructuring its military forces with an eye toward

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enhancing its capabilities for the modern battlefield. All of these steps will over time make China a formidable challenger if Beijing perceived that its interests were being thwarted in the region.

- We are closely monitoring the situation across the Taiwan Strait in the period surrounding Taiwan's presidential election next month.

Chinese leadership politics—especially the incomplete leadership transition—will influence how Beijing deals with the Taiwan issue this year and beyond. President and Communist Party leader Hu Jintao still shares power with his predecessor in those positions, Jiang Zemin, who retains the powerful chairmanship of the Party's Central Military Commission.

In RUSSIA, the trend I highlighted last year—President Putin's re-centralization of power in the Kremlin—has become more pronounced, especially over the past several months. We see this in the recent Duma elections and the lopsided United Russia party victory engineered by the Kremlin and in the Kremlin's domination of the Russian media.

Putin has nevertheless recorded some notable achievements. His economic record—even discounting the continuing strength of high world oil prices—is impressive, both in terms of GDP growth and progress on market reforms. He has brought a sense of stability to the Russian political scene after years of chaos, and he restored Russians' pride in their country's place in the world.

That said, Putin now dominates the Duma, and the strong showing of nationalist parties plus the shutout of liberal parties may bolster trends toward limits on civil society, state interference in big business, and greater assertiveness in the former Soviet Union. And the Kremlin's recent efforts to strengthen the state's role in the oil sector could discourage investors and hamper energy cooperation with the West.

He shows no signs of softening his tough stance on Russia's war in Chechnya. Russian counterinsurgency operations have had some success. Putin's prime innovation is the process of turning more authority over to the Chechen under the new government of Akhmad Kadyrov, and empowering his security forces to lead the counter-insurgency.

- Although this strategy may succeed in lowering Russia's profile in Chechnya, it is unlikely to lead to resolution.

Moscow has already become more assertive in its approach to the neighboring states of the former Soviet Union, such as Georgia, Ukraine, and Moldova. Russian companies—primarily for commercial motives, but in line with the Kremlin's agenda—are increasing their stakes in neighboring countries, particularly in the energy sector.

The Kremlin's increasing assertiveness is partly grounded in a growing

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confidence in its military capabilities. Although still a fraction of their former capabilities, Russian military forces are beginning to rebound from the 1990s nadir. Training rates are up—including some high-profile exercises—along with defense spending.

Even so, we see Moscow's aims as limited. Russia is using primarily economic incentives and levers of "soft" power, like shared history and culture, to rebuild lost power and influence. And Putin has a stake in relative stability on Russia's borders—not least to maintain positive relations with the US and Europeans.

Russian relations with the US continue to contain elements of both cooperation and competition. On balance, they remain more cooperative than not, but the coming year will present serious challenges. For example, Russia remains supportive of US deployments in Central Asia for Afghanistan—but is also wary of US presence in what Russia considers to be its own back yard.

Let me turn now to AFGHANISTAN, where the Afghan people are on their way to having their first legitimate, democratically elected government in more than a generation.

The ratification of a new constitution at the Constitutional Loya Jirga in January is a significant milestone. It provides the legal framework and legitimacy for several initiatives, including elections, scheduled for later this year.

- Within the next 12 months, the country could have, for the first time, a freely elected President and National Assembly that are broadly representative, multi-ethnic, and able to begin providing security and services at some level.

Even if the date of elections slips—the Bonn Agreement requires a June date—the central government is extending its writ and legitimate political processes are developing nationwide through other means. Regional "warlords" are disruptive but disunited—and appear to realize the Bonn process and elections are the only way to avoid relapsing into civil war.

- Defense Minister Fahim Khan is cooperating with President Karzai and seems able to keep his large body of Panjshiri supporters in line in favor of Bonn and stability.

Meanwhile, the infusion of \$2 billion in international aid has propelled Afghan economic performance. The IMF estimates GDP grew—from an admittedly low base—by 29 percent last year. The completion of the Kabul to Kandahar road in December was a success, but the international community will need to ensure that funds are channeled toward projects that make the most impact and are balanced among the regions and ethnic groups.

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- Building a National Army is another long-term international challenge. So far, almost 6,000 Afghan soldiers have been trained by US, British, and French trainers. It will take years to reach the goal of a 70,000-strong ethnically-balanced force but with continued Coalition and international community support and assistance over the next two years, Afghanistan need not become either a "security welfare state," or, again, a breeding ground for terrorists and extremism.

Last year's most worrisome events were the continued attacks by the Afghan Transitional Authority's enemies—particularly the Taliban, along with al-Qa`ida and followers of Afghan extremist Hikmatyar—who want to disrupt routine life and the reconstruction effort in the south and east. This is still a problem, because none of these groups has abandoned the ultimate goal of derailing the process by which legitimate democratic government and the rule of law will be established in Afghanistan.

I don't want to overstate the Taliban's strength. It is far from having sufficient political and military might to challenge the Karzai Government. It is, however, still able to interfere with the political, economic, and social reconstruction of the country by fomenting insecurity and thereby undermining public confidence in Kabul.

- Like other extremists bent on restoring the terrorist-sponsored state that existed before the liberation of Afghanistan, Taliban remnants remain intent on using any available means to undermine President Karzai and his government, to drive international aid organizations and their workers from the areas that most need them, and to attack US and Coalition forces.
- For this reason the security situation in the south and east is still tenuous and Kabul will need considerable assistance over at least the next year or two to stabilize the security environment there.

In IRAN, Mr. Chairman, I'll begin with a sobering bottom line:

- With the victory of hardliners in elections last weekend, governmental led reform received a serious blow. Greater repression is a likely result.
 - With the waning of top-down reform efforts, reformers will probably turn to the grass roots—working with NGOs and labor groups—to rebuild popular support and keep the flame alive.
- The strengthening of authoritarian rule will make breaking out of old foreign policy patterns more difficult at a time when Tehran faces a new geopolitical landscape in the Middle East.

The concerns I voiced last year are unabated. The recent defeats will have further alienated a youthful population anxious for change. Abroad, Tehran faces an altered

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regional landscape in the destruction of radical anti-Western regimes in Afghanistan and Iraq and growing international concern about nuclear proliferation.

- And, as has so often happened in Iran's history, Iran's leaders appear likely to respond to these challenges in rigid and unimaginative ways.

The current setback is the latest in a series of contests in which authoritarian rule has prevailed over reformist challengers. The reformists—President Khatami in particular—are in no small part to blame. Their refusal to back bold promises with equally bold actions exhausted their initially enthusiastic popular support.

When the new Majles convenes in June, the Iranian government will be even more firmly controlled by the forces of authoritarianism. In the recent election, clerical authorities disqualified more than 2500 candidates, mostly reformists, and returned control of the legislature to hardliners. The new Majles will focus on economic reform, with little or no attention to political liberalization.

- And with the Majles securely behind the hardliners, we expect to see many of the outlets for political dissent shut down by the clerical regime.
- The prospect of internal violence remains. Hardliners may now resort to new heavy-handedness that produces public outrage and protest. At least eight people were killed and 30 injured in elected-related violence last weekend.

Although greater repression is likely to be the most immediate consequence, this will only further deepen the discontent with clerical rule, which is now discredited and publicly criticized as never before. In the past year several unprecedented open letters, including one signed by nearly half the parliament, were published calling for an end to the clergy's absolute rule.

- Iran's recent history is studded with incidents of serious civil unrest that erupted in response to the arrogance of local officials—events like the 1999 student riots that broke out when security forces attacked a dormitory.
- Even so, the Iranian public does not appear eager to take a challenge to the streets—in Tehran, *apathy* is the prevailing mood, and regime *intimidation* has cowed the populace. This mix keeps the regime secure for now.

The uncertainty surrounding Iran's internal politics comes as Tehran adjusts to the regional changes of a post-Saddam Iraq. Because Khamenei and his allies have kept close rein on foreign policy, we do not expect the defeat of the reformists to lead to a sudden change in Iranian policy. Tehran will continue to use multiple avenues—including media influence, humanitarian and reconstruction aid, diplomatic maneuvering, and clandestine activity—to advance its interests and counter US influence in Iraq.

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- We judge that Iran wants an Iraqi government that does not threaten Tehran, is not a US puppet, can maintain the country's territorial integrity, and has a strong Shia representation.
- These interests have led Tehran to recognize the Iraqi Governing Council and work with other nascent Iraqi political, economic, and security institutions.

In INDONESIA, the world's most populous Muslim country, authorities have arrested more than 100 Jemaah Islamiya (JI) suspects linked to the terrorist attacks in Bali in October 2002 and the Jakarta Marriott Hotel last year. However, coming presidential and legislative elections appear to have blunted the government's efforts to root out JI.

Megawati remains the presidential frontrunner, but continuing criticism of her leadership and the growing prospect that her party will lose seats in the legislative election increase the likelihood of a wide-open race. The secular-nationalist Golkar—the former ruling party of Soeharto, now riding a wave of public nostalgia for his bygone era—could overtake Megawati's party to win the plurality of legislature seats. Most local polls suggest that the Islamic parties are unlikely to improve their percentage of the vote.

Vocal religious extremists, however, are challenging Indonesia's dominant moderate Muslim groups. A growing number of Indonesian Muslims now advocate the adoption of Islamic law, and dozens of provincial and district governments around the archipelago are taking advantage of the devolution of authority since 1998 to begin enforcing elements of Islamic civil law and customs.

Let me turn briefly to SOUTH ASIA. When I commented on the situation there last year, I warned that, despite a lessening of tensions between India and Pakistan, we remained concerned a dramatic provocation might spark another crisis.

This year I'm pleased to note that the normalization of relations between India and Pakistan has made steady progress. Building on Prime Minister Vajpayee's April 2003 "hand of friendship" initiative, the leaders in New Delhi and Islamabad have begun to lay a promising foundation for resolving their differences through peaceful dialogue.

- Both countries have since made further progress in restoring diplomatic, economic, transportation, and communications links and—most importantly—both sides have agreed to proceed with a "composite" dialogue on a range of bilateral issues that include Kashmir.

Further progress will hinge largely on the extent to which each side judges that the other is sincere about improving India-Pakistan relations. For example, India is watching carefully to see whether the level of militant infiltration across the Line of Control (LOC) increases this spring after the snows melt in the mountain passes.

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In this hemisphere, President Uribe of COLOMBIA is making great strides militarily and economically. Colombia's military is making steady progress against the illegal armed groups, particularly around Bogotá; last year the Army decimated several FARC military units. In the last two months, Colombian officials have apprehended the two most senior FARC leaders ever captured.

- Foreign and domestic investors are taking note: last year, [2003] the growth rate of 3.5 percent was the highest in 5 years.

But some of Uribe's hardest work awaits him. The military has successfully cleared much of the insurgent-held territory, but the next stage of Uribe's "clear-and-hold" strategy is securing the gains thus far. That entails building the state presence—schools, police stations, medical clinics, roads, bridges, and social infrastructure—where it has scarcely existed before.

Finally, we should bear in mind that Uribe's opponents will adjust their strategies, as well. The FARC may increasingly seek to target US persons and interests in Colombia, particularly if key leaders are killed, captured, or extradited to the United States.

- Drug gangs are also adapting, relocating coca cultivation and production areas and attacking aerial eradication missions. All of this translates into more money and more resources for traffickers, insurgents, and paramilitary forces.

And in HAITI, the situation is, of course, extremely fluid at this moment. What continues to concern us is the possibility that the increasing violence will lead to a humanitarian disaster or mass migration. Forces opposed to the government control key cities in northern Haiti and they have identified Port-au-Prince as their next target. Those forces include armed gangs, former Haitian Army officers, and members of irregular forces who allegedly killed Aristide supporters during his exile.

- Future battles could be bloody, as the armed opposition is arrayed against pro-government irregular forces equally disposed to violence. Moreover, food, fuel, and medical supplies already have been disrupted in parts of Haiti because of the fighting, making living conditions even worse for Haiti's many poor.
- The government is looking for international help to restore order. Improving security will require the difficult tasks of disarming both pro- and anti-government irregulars and augmenting and retraining a national security force.

In SUB-SAHARAN AFRICA, progress in continuing peace processes requires further careful Western cultivation and African regional cooperation.

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- In Liberia, UN peacekeepers and the transitional government face a daunting challenge to rein in armed factions, including remnants of Charles Taylor's militias.
- Sudan's chances for lasting peace are its best in decades, with more advances possible in the short term, given outside guarantees and incentives.
- A fragile peace process in Burundi and struggling transitional government in Congo (Kinshasa) have the potential to end conflicts that so far have claimed a combined total of over 3 million lives.
- Tension between Ethiopia and Eritrea over their disputed border is jeopardizing the peace accord brokered by US officials in 2000.

THE OTHER TRANSNATIONAL ISSUES

Let me conclude my comments this morning by briefly considering some important transnational concerns that touch on the war against terrorism.

We're used to thinking of that fight as a sustained worldwide effort to get the perpetrators and would-be perpetrator off the street. This is an important preoccupation, and we will never lose sight of it.

But places that combine desperate social and economic circumstances with a failure of government to police its own territory can often provide nurturing environments for terrorist groups, and for insurgents and criminals. The failure of governments to control their own territory creates potential power vacuums that open opportunities for those who hate.

- We count approximately 50 countries that have such "stateless zones." In half of these, terrorist groups are thriving. Al-Qa`ida and extremists like the Taliban, operating in the Afghanistan-Pakistan border area, are well known examples.

As the war on terrorism progresses, terrorists will be driven from their safe havens to seek new hideouts where they can undertake training, planning, and staging without interference from government authorities. The prime candidates for new "no man's lands" are remote, rugged regions where central governments have no consistent reach and where socioeconomic problems are rife.

Many factors play into the struggle to eradicate stateless zones and dry up the wellsprings of disaffection.

- Population trends. More than half of the Middle East's population is under the age of 22. "Youth bulges," or excessive numbers of unemployed young people, are historical markers for increased risk of political violence and recruitment into

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radical causes. The disproportionate rise of young age cohorts will be particularly pronounced in Iraq, followed by Syria, Kuwait, Iran and Saudi Arabia.

- Infectious disease. The HIV/AIDS pandemic remains a global humanitarian crisis that also endangers social and political stability. Although Africa currently has the greatest number of HIV/AIDS cases—more than 29 million infected—the disease is spreading rapidly. Last year, I warned about rising infection rates in Russia, China, India, and the Caribbean. But the virus is also gaining a foothold in the Middle East and North Africa, where governments may be lulled into overconfidence by the protective effects of social and cultural conservatism.
- Humanitarian need. Need will again outpace international pledges for assistance. Sub-Saharan Africa and such conflict-ravaged places like Chechnya, Tajikistan, and the Palestinian Occupied Territories will compete for aid against assistance to Iraq and Afghanistan. Only 40 percent of UN funding requirements for 2003 had been met for the five most needy countries in Africa.
- Food insecurity. More than 840 million people are undernourished worldwide, a number that had fallen in the first half of the 1990s but is now on the increase. USDA estimates the food aid needed to meet annual recommended minimum nutrition levels at almost 18 million metric tons, far above the recent average of 11 million tons donated per annum.

And I'll take this opportunity to remind you, Mr. Chairman, of the continued threat the global narcotics industry poses to the United States.

- As evident by the doubling of the Afghan opium crop in 2003, the narcotics industry is capable of moving quickly to take advantage of opportunities presented by the absence of effective government authority.
- Although the linkages between the drug trade and terrorism are generally limited on a global basis, trafficking organizations in Afghanistan and Colombia pose significant threats to stability in these countries and constitute an important source of funding for terrorist activity by local groups.
- This combination of flexibility and ability to undermine effective governmental institutions means that dealing with the narcotics challenge requires a truly global response.

And that, Mr. Chairman, concludes my formal remarks. I welcome any questions or comments you and the members may have for me.

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**STATEMENT OF THE HONORABLE GEORGE J. TENET,
DIRECTOR OF CENTRAL INTELLIGENCE**

Director TENET. Thank you, Mr. Chairman.

Last year I described a national security environment that was significantly more complex than at any time during my tenure as Director of Central Intelligence. The world I'll discuss today is equally, if not more, complicated and fraught with dangers for American interests, but one that also holds opportunities for positive change.

I want to begin with terrorism, with a stark bottom line. The al-Qa'ida leadership structure we charted after September 11th is seriously damaged, but the group remains as committed as ever to attacking the American homeland. As we continue to battle against al-Qa'ida, we must overcome a movement—a global movement infected by al-Qa'ida's radical agenda.

In the battle, we're moving forward in our knowledge of the enemy, his plans and capabilities, and what we've learned continues to validate my deepest concern that this enemy remains intent on obtaining and using catastrophic weapons. Military and intelligence operations, as you both have noted, by the United States and its allies overseas have degraded the group. Local al-Qa'ida cells are forced to make their own decisions because of disarray in the central leadership.

Al-Qa'ida depends on leaders who not only direct attacks, but who carry on the day-to-day tasks that support operations. Over the past 18 months, we have killed or captured key al-Qa'ida leaders in every significant operational area—logistics, planning, finance, training—and have eroded the key pillars of their organization, such as the leadership in Pakistani urban areas and operational cells in the al-Qa'ida heartland of Saudi Arabia and Yemen.

The list of associates on page two, many of you know—Khalid Shaykh Mohammed, Abu Zubaydah, Hasan Ghul, Hambali and others. We are creating large and growing gaps in al-Qa'ida's hierarchy, and unquestionably bringing these key operators to ground disrupted plots that would otherwise have killed Americans.

Meanwhile, al-Qa'ida central continues to lose operational safe havens, and bin Laden has gone deeper underground. Al-Qa'ida's finances have been squeezed, and we're receiving a broad array of help from our coalition partners who have been central to our efforts against al-Qa'ida.

Since the May 12 bombings, the Saudi government has shown an important commitment to fighting al-Qa'ida in the Kingdom, and Saudi officers have paid with their lives. There's great cooperation in the rest of the Arab world. President Musharraf remains a courageous and indispensable ally who has become the target of assassins for the help he's given us. Our European partners are working closely with us to unravel and disrupt networks of terrorists planning chemical and biological and conventional attacks in Europe.

So there are notable strides, but don't misunderstand me: I'm not suggesting al-Qa'ida is defeated. It is not. We're still at war. This is a learning organization that remains committed to attacking the United States, its friends and its allies.

Successive blows to the central leadership have transformed the organization into a loose collection of regional networks that oper-

ate more autonomously. These regional components have demonstrated their operational prowess in Morocco, Kenya, Turkey, Jordan, Saudi Arabia and other countries, and al-Qa'ida seeks to influence these regional networks with operational training, communications and money. For example, we know that Khalid Shaykh Mohammed sent \$50,000 to Hambali in Southeast Asia to further his operations.

You should not take the fact that these attacks occurred abroad to mean that the threat to the U.S. homeland has waned. As al-Qa'ida and associated groups undertook these attacks overseas, detainees consistently talk about the importance the groups still attach to striking the main enemy, the United States.

Across the operational spectrum—air, maritime, special weapons—we have time and again uncovered plots that are chilling. On aircraft plots alone, we have uncovered new plans to recruit pilots and to evade new security measures in Southeast Asia, the Middle East and Europe.

Even catastrophic attacks on the scale of 9/11 remain within al-Qa'ida's reach. Make no mistake: These plots are hatched abroad but they target U.S. soil and those of our allies.

So far, I've talked to you about al-Qa'ida, but it's not the limit of the terrorists threat worldwide. They've infected others with its ideology, which depicts the United States as Islam's greatest foe. The steady growth of Usama bin Laden's anti-American sentiment through the wider Sunni extremist movement and the broad dissemination of al-Qa'ida's destructive expertise ensure that a serious threat will remain for the foreseeable future with or without al-Qa'ida in the picture.

Even so, as al-Qa'ida reels from our blows, other extremist groups within the movement it influenced have become the next wave of terrorist threat. Dozens of such groups exist. I've identified the Zarqawi network, the Ansar al-Islam network in Iraq, the Libyan Islamic Fighting Group and the Islamic Movement of Uzbekistan.

Mr. Chairman, with regard to CBRN, acquiring these kinds of weapons we know remains a religious obligation in bin Laden's eyes, and al-Qa'ida and more than two dozen other terrorist groups are pursuing CBRN materials. We particularly see a heightened risk of poison attacks. Contemplated delivery methods to date have been simple, but this may change as non-al-Qa'ida groups share information on more sophisticated methods and tactics.

Over the last year, we've also seen an increase in the threat of more sophisticated chemical, biological, radiological and nuclear weapons. For this reason, we take very seriously the threat of a CBRN attack. Extremists have widely disseminated assembly instructions for an improvised chemical weapon, using common materials that could cause a large number of casualties in a crowded and closed area.

Although gaps in our understanding remain, we see al-Qa'ida's program to produce anthrax as one of the most immediate terrorist CBRN threats that we are likely to face. Al-Qa'ida continues to pursue its strategic goal of obtaining a nuclear capability. It remains interested in dirty bombs. Terrorist documents contain accurate views of how such weapons would be used.

Mr. Chairman, I want to turn to Iraq for a detailed discussion. We're making significant strides against the insurgency and terrorism, but former regime elements and foreign jihadists continue to pose a serious threat to Iraq's new institutions and to our own forces. At the same time, sovereignty will be turned over to an interim government in Iraq on July 1, although the structure and mechanism for determining this remain unresolved.

The emerging Iraqi leadership will face many pressing issues, among them organizing national elections, integrating the Sunni minority into the political mainstream, managing Kurdish autonomy in a federal structure and the determining role of Islam in an Iraqi state.

Meanwhile, Mr. Chairman, the important work of the Iraqi Survey Group in the hunt for the Iraq's weapons of mass destruction continues. We must explore every avenue in our quest to understand Iraq's programs of concern for the possibility that materials, weapons or expertise might fall into the hands of insurgents, foreign states or terrorists. And as you know, we will talk about this subject at length next week.

Despite progress in Iraq, the overall security picture continues to concern me. Saddam is in prison and the coalition has killed or apprehended all but 10 of his 54 key cronies, and Iraqis are taking an increasing role in their own defense, with many now serving in various new police, military and security forces.

The violence continues. The daily average number of attacks on U.S. and coalition military forces has dropped from its November peak, but is similar to that of August. And many other insurgent and terrorist attacks undermine the stability by striking at those—seeking to intimidate those Iraqis willing to work with the coalition. The insurgency that we face in Iraq comprises multiple groups with different motivations, but with the same goal—driving the U.S. and our coalition partners from Iraq.

Saddam's capture was a psychological blow that took some of the less committed Ba'athists out of the fight. But a hard core of regime elements, Ba'ath Party officials, military, intelligence and security officers are still organizing and carrying out attacks. Intelligence has given us a good understanding of the insurgency at the local level, and this information is behind the host of successful raids you've read about in the newspapers.

U.S. military and intelligence community efforts to round up former regime figures have disrupted some insurgent plans to carry out additional anti-coalition attacks. But we know these Ba'athist cells are intentionally decentralized to avoid easy penetration and to prevent the rollup of whole networks. Arms, funding and military experience remain readily available.

The situation as I've described it, Mr. Chairman, both our victories and our challenges, indicates that we have damaged but not yet defeated the insurgents.

The security situation is further complicated by the involvement of terrorists, including Ansar al-Islam and al Zarqawi and foreign jihadists coming to Iraq to wage jihad. Their goal is clear: They intend to inspire an Islamic extremist insurgency that would threaten coalition forces and put a halt to the long-term process of build-

ing democratic institutions. They hope for a Taliban-like enclave in Iraq's Sunni heartland that could be a jihadist safe haven.

Ansar al-Islam, a Kurdish extremist group, is waging a terrorist campaign against the coalition presence and cooperative Iraqis in a bid to inspire jihad and create an Islamic state. Some extremists even go further. In a recent letter, terrorist plotter Abu Mus'ab Zarqawi outlined a strategy to foster sectarian civil war in Iraq aimed at inciting the Shia.

Stopping the foreign extremists from turning Iraq into their most important jihad yet rests in part on preventing loosely connected extremists from coalescing into a cohesive terrorist organization. We're having some success in this regard, and we're keeping an eye on the convergence between jihadists and former regime elements. And at this point, we've seen very few signs of such cooperation at the tactical or local level.

Ultimately, the Iraqi people themselves must provide the fundamental solutions. As you well know, the insurgents are incessantly and violently targeting Iraqi police and security forces precisely because they fear the prospect of Iraqis securing their own interests. Success depends on broadening the role of local security forces. It goes beyond numbers. It means continuing the work already under way, fixing equipment shortages, training and ensuring pay.

It's hard to overestimate the importance of greater security for Iraqis, particularly as we turn to the momentous political events slated for 2004. The real test will begin soon after the transfer of sovereignty. We'll see the extent to which the new Iraqi leaders embody the concepts such as pluralism, compromise and the rule of law.

Iraqi Arabs and many Kurds possess a strong Iraqi identity forged over 80 years of history and especially during the nearly decade-long war with Iran. Unfortunately, Saddam's divide and rule policy and his favorite treatment of the Sunni minority aggravated tensions to the point where the key governance in Iraq today is managing these competing sectional interests. And you know them, Mr. Chairman—Shia, Kurds and Sunnis.

I should qualify that no society—surely not Iraq's complex tapestry—is so simple as to be captured in three categories, and this is an important point. In reality, Iraqi society is filled with more cleavages and more connections than a simple topology can suggest. We seldom hear about the strong tribal alliances that have long existed between Sunnis and Shia or the religious commonalities between Sunni, Kurd and Arab communities or the moderate secularism that spans Iraqi groups. We tend to identify and stress the tensions that rend communities apart, but opportunities also exist for these groups to work together for common ends. The social and political interplay is further complicated by Iran, especially in the south, where Tehran pursues its own interests and hopes to maximize its influence among Iraqi Shia after the 1st of July.

The most immediate political challenge for the Iraqis is to choose their transitional government that will rule their country while they write their permanent constitution. The Shia cleric, the Grand Ayatollah Mohammed Sistani, has made this election process the centerpiece of his effort to ensure that Iraqis will decide their own future and choose the first sovereign post-Saddam government. He

favors direct elections as the way to produce a legitimate accountable government. Sistani's religious pronouncements show that, above all, he wants Iraq to be independent of foreign powers. Moreover, his praise of free elections and his theology reflect, in our reading, a clear-cut opposition to theocracy Iranian style.

The Sunnis—just to talk a bit about the Sunnis because they're important—they've been disaffected and deposed as the ruling class, but some are beginning to recognize that boycotting the emerging political process will weaken their community. Their political isolation, I believe, is breaking down in parts of the Sunni triangle where Sunni Arabs have begun to engage the coalition and assume local leadership roles.

And in the past three months, we have also seen the founding of national-level Sunni umbrella organizations to deal with the coalition and the governing council on questions like Sunni participation in choosing the transitional government. This is a good development, Mr. Chairman.

The question of federalism is an issue that will have to be resolved. To make a federal arrangement stick, Kurdish and Arab leaders will need to explain convincingly that the federal structure benefits all Iraqis and not just Kurds. And even so, a host of difficult issues—control over oil and security being perhaps the most significant—may provoke tension between Kurdish and central Iraqi authorities.

Mr. Chairman, I want to talk a bit about economic reconstruction. It's true that the rebuilding will go on for years and that the Saddam regime left in its wake a devastated and antiquated underfunded infrastructure. But the reconstruction process and Iraq's own considerable assets—its natural resources and its educated populace—should enable the Iraqis to see important improvement in 2004.

Over the next few years, they'll open more hospitals and build more roads than anyone born under Saddam has ever witnessed.

The recovery of Iraqi oil production will help. Production is on track to approach three million barrels a day by the end of the year. Iraq hasn't produced this much oil since 1991. And by next year, revenues from oil exports should cover the cost of basic government operations and contribute several billion dollars toward reconstruction.

Much more needs to be done, however. Key public services, such as water and sewage and transportation, will have difficulty meeting prewar levels by July and won't meet the higher target of Iraqi total demand, although work is going on in all these areas.

Mr. Chairman, let me shift to proliferation. We're watching countries of proliferation concern choose different paths as they calculate the risks versus gains of pursuing weapons of mass destruction.

Libya is taking steps toward strategic disarmament. North Korea is trying to leverage its nuclear program into at least a bargaining chip and also international legitimacy and influence. And Iran is exposing some programs while trying to preserve others.

I'll start with Libya, which appears to be moving toward strategic disarmament. For years, Gadhafi has been an international pariah. In May of 2003, he made a strategic decision and reached

out through British intelligence with an offer to abandon his pursuit of weapons of mass destruction. That launched nine months of delicate negotiations, where we moved the Libyans from a stated willingness to renounce WMD to an explicit and public commitment to expose and dismantle their WMD programs.

The leverage here was intelligence. Our picture of Libya's WMD programs allowed CIA officers and their British colleagues to press the Libyans on the right questions, to expose inconsistencies and to convince them that holding back was counterproductive. We repeatedly surprised them with the depth of our knowledge. For example, U.S. and British intelligence officers secretly traveled to Libya and asked to inspect Libya's ballistic missile programs. Libyan officials at first failed to declare key facilities, but our intelligence convinced them to disclose several dozen facilities, including their deployed Scud B sites and their secret North Korean-assisted Scud C production line.

When we were tipped to the imminent shipment of centrifuge parts to Libya in October, we arranged to have cargo seized, showing the Libyans that we had penetrated their most sensitive procurement network.

By the end of the visit, the Libyans admitted to having a nuclear program and having bought uranium hexafluoride feed material for gas centrifuge enrichment, admitted to having nuclear weapons designs, acknowledged having about 25 tons of sulphur mustard CW agent, provided access to their deployed Scud B forces and revealed indigenous missile design work in cooperation with North Korea on Scud Cs.

From the very outset of negotiations, Gadhafi requested the participation of international organizations to help certify Libya's compliance.

In contrast to Libya, North Korea is trying to leverage its nuclear programs into international legitimacy and bargaining power, announcing its withdrawal from the NPT, Nonproliferation Treaty, and openly proclaiming that it has a nuclear deterrent. Since December of 2002, Pyongyang has announced its withdrawal from the Nonproliferation Treaty and expelled IAEA inspectors. Last year Pyongyang claimed to have finished reprocessing the 8,000 fuel rods that had been sealed by the United States and North Korean technicians and stored under IAEA monitoring since 1994.

The intelligence community judged that in the mid-nineties North Korea had produced one, possibly two, nuclear weapons. The 8,000 rods that the North Koreans claim to have reprocessed into plutonium metal would provide enough plutonium for several more. We also believe Pyongyang is pursuing a production-scale uranium enrichment program based on technology provided by A.Q. Khan, which would give the North Koreans an alternative route to nuclear weapons.

Mr. Chairman, my statement goes on to talk a bit about North Korea, but let me talk about Iran, the third country.

Iran is taking a different path, acknowledging work on a covert nuclear fuel cycle while trying to preserve its WMD options. I'll start with the good news. Tehran acknowledges more than a decade of covert nuclear activity and agreed to open itself up to an enhanced inspection regime. Iran, for the first time, acknowledged

many of its nuclear fuel cycle development activities, including a large-scale gas centrifuge uranium enrichment effort.

Iran claims its centrifuge program is designed to produce low enriched uranium to support Iran's civil nuclear program. This is permitted under the Nonproliferation Treaty, but here's the downside: The same technology can be used to build a military program as well. The difference between producing low enriched uranium and weapons-capable, high enriched uranium is only a matter of time and intent, not technology. It would be a significant challenge for intelligence to confidently assess whether this red line has been crossed.

Mr. Chairman, we go on to talk about A.Q. Khan. And I've talked about that and you know more about that.

The bottom-line issue on proliferation for us is, in support, we have a lot of public success, but proliferators hiding among legitimate businesses and countries hiding their WMD programs inside legitimate dual-use industries combine to make private entrepreneurs dealing in lethal goods one of the most difficult and challenging intelligence channels that we face. The dual challenge is especially applicable to countries hiding biological and chemical warfare programs.

Mr. Chairman, with regard to ballistic significant missile programs, one point. China continues an aggressive missile modernization program that will improve its ability to conduct a wide range of military actions against Taiwan supported by both cruise and ballistic missiles. Expected technical improvements will give Beijing a more accurate and lethal force. China is also moving ahead on its first generation of ballistic missiles.

My statement talks about Syria.

And in the final part of the proliferation section, Mr. Chairman, we have to remain alert to the vulnerability of Russian WMD materials and technology to theft or diversion.

We are concerned about the continued eagerness of Russia's cash-strapped defense, biotechnology, chemical, aerospace and nuclear industries to raise funds via exports and transfers, which makes Russian expertise an attractive target for countries and groups seeking WMD and missile-related assistance.

Mr. Chairman, we've talked about North Korea. You obviously all are aware of the difficult internal situation there and the way they've ruled by intimidation and fear, and the accumulated effect of years of deprivation and repression.

With regard to China, let me say a number of things. China continues to emerge as a great power and expand its profile in regional and international politics. It is also true that the Chinese have cooperated with us on terrorism and have been willing to host and facilitate multilateral dialogue on the North Korean nuclear problem, in contrast to an approach where they ignored these problems years ago.

They're making progress in asserting their influence in East Asia, largely on the basis of their economy.

That said, China's neighbors still harbor suspicions about Beijing's long-term intentions. They generally favor a sustained U.S. military presence in the region as an insurance against potential Chinese aggression.

Our greatest concern remains China's military build-up which continues to accelerate. Last year, Beijing reached new benchmarks in its production or acquisition from Russia of missiles, submarines and other naval combatants and advanced fighter aircraft.

China is also downsizing and restructuring its military forces with an eye toward enhancing its capabilities for the modern battlefield.

Mr. Chairman, I'm going to do perhaps just one more thing: talk about Iran. Afghanistan is important. Perhaps we can talk about that in the Q&As.

Iran. I think this is very important. Our view and my view is with the victory of hardliners in the elections last weekend, government-led reform has received a serious blow. Greater repression is the likely result. With the waning of top-down reform efforts, reformers will probably turn to the grassroots, working with NGOs and labor groups to rebuild popular support and keep the flame alive.

The strengthening of authoritarian rule will make breaking out of old foreign policy patterns more difficult.

The concerns I voiced last year are unabated. The current setback is the latest in a series of contests in which authoritarian rule has prevailed over reformist challengers.

The reformists, President Khatami in particular, are in no small part to blame. Their refusal to back bold promises with equally bold actions exhausted their initially enthusiastic popular support. When the new Majlis convenes in June, the Iranian government will be even more firmly controlled by the forces of authoritarianism. In the recent election, clerical authorities disqualified more than 2,500 candidates—mostly reformists—and returned control of the legislature to the hardliners. The new Majlis will focus on economic reform with little or no attention to political liberalization.

Although greater repression is likely to be the most immediate consequence, this will only further deepen the discontent with clerical rule, which is now discredited and publicly criticized as never before. In the past year, several unprecedented open letters, including one signed by nearly half the parliament, were published calling for an end to the clergy's absolute rule.

Mr. Chairman, finally, let me just say something about Colombia, and I will end there.

In this hemisphere, it's important to pay attention to President Uribe. President Uribe is making great strides militarily and economically. Colombia's military is making steady progress against illegal armed groups, particularly around Bogota. Last year, the army decimated several FARC military units. In the last two months, Colombian officials have apprehended the two most senior FARC leaders ever captured.

Foreign and domestic investors are taking note. Last year the growth rate of 3.5 percent was the highest in the past five years. Some of Uribe's hardest work remains ahead. The military has successfully cleared much of the insurgent-held territory, but the next stage of Uribe's clear-and-hold strategy is securing the gains thus far. That entails building state presence—schools, police stations,

medical clinics, roads, bridges and social infrastructure—where it has scarcely existed before.

Mr. Chairman, I will stop there.

Senator Rockefeller, I will say, if you go to the back part of my statement, in the last couple of pages, you'll see the kind of implications you drew from stateless zones, disease and hunger, their implications for terrorism, and how we at least think about these things, because they are very important.

Thank you, Mr. Chairman.

Chairman ROBERTS. We thank the Director, and we move now to Director Mueller.

[The prepared statement of Director Mueller follows:]

SSCI# 2004 - 0880

TESTIMONY OF
ROBERT S. MUELLER, III
DIRECTOR
FEDERAL BUREAU OF INVESTIGATION
BEFORE THE
SELECT COMMITTEE ON INTELLIGENCE OF THE
UNITED STATES SENATE

February 24, 2004

Good morning, Mr. Chairman, Senator Rockefeller, and Members of the Committee. I appreciate this opportunity to discuss the world threats facing this nation and how the FBI has adapted to meet emerging threats. I am going to touch on some of the successes of the past 12 months, but I would like to say, at the outset, that none of these successes would have been possible without the extraordinary efforts of our partners in state and municipal law enforcement and our counterparts around the world. The Muslim, Iraqi, and Arab-American communities have also contributed a great deal to our success. On behalf of the FBI, I would like to thank these communities for their assistance and for their ongoing commitment to preventing acts of terrorism. All of us understand that the threats we face today, and those we will face tomorrow, can only be defeated if we work together.

SUCCESSES IN THE WAR ON TERRORISM

In 2003, the United States and its Allies made considerable advances toward defeating the al-Qa'ida network all over the world. Since this Committee's World Wide Threat hearing last year, the efforts of the FBI, and our state and local law enforcement partners, to identify terrorists and dismantle terrorist networks have yielded major successes:

- In **Cincinnati**, an al-Qa'ida operative was charged with providing material support to terrorists.
- In **Baltimore**, a resident was identified as an al-Qa'ida operative with direct associations to now detained senior al-Qa'ida operatives Tawfiq Bin Attash and Khalid Sheikh Mohammed.
- In **Tampa**, the U.S. leader of Palestine Islamic Jihad (PIJ), and three of his lieutenants were arrested under the RICO statute for their participation in a conspiracy which contributed to the deaths of two U.S. citizens in Israel.
- In **Newark**, three individuals, including an illegal arms dealer, were indicted for their role in attempting to smuggle an SA-18 shoulder-fire missile system into the U.S.

- In **Minneapolis**, an individual who trained in Afghanistan and provided funds to associates in Pakistan, was recently arrested and charged with conspiring to provide material support to al-Qa'ida.
- And in cities across the country, the FBI, along with our law enforcement partners, conducted over 10,000 interviews of Iraqi expatriates to seek information in support of Operation Iraqi Freedom. These efforts resulted in the generation and distribution of information that proved valuable to our troops in Iraq, and to our counterterrorism and counterintelligence programs.

Mr. Chairman, it is important to note that we attribute these and other recent successes to our close coordination and information sharing with other members of the Intelligence Community, with our overseas partners, and with the essential force multipliers – state and local law enforcement officials who participate on our 84 Joint Terrorism Task Forces (JTTFs). The JTTFs have played a central role in virtually every terrorism investigation, prevention, or interdiction within the United States. As you know, JTTFs team up FBI agents with police officers, members of the Intelligence Community, Homeland Security, and other federal partners to coordinate counterterrorism investigations and share information. They are also a critical conduit between the FBI and the officer on the beat.

Our current abilities to coordinate with our partners and develop actionable intelligence to prevent terrorist attacks are a direct result of our efforts to transform the FBI to better meet our counterterrorism mission. I am going to discuss this transformation, but first I would like to discuss what we see as the greatest threats facing the United States.

The Terrorist Threat

Al-Qa'ida and Other Sunni Extremists

The greatest threat remains international terrorism -- specifically Sunni extremists, including al-Qa'ida. While our successes to date are dramatic, we face an enemy that is determined, resilient, and patient, and whose ultimate goal is the destruction of the United States. Al-Qa'ida's flexibility and adaptability continue to make them dangerous and unpredictable. This enemy still has the capability to strike the U.S. both here and abroad with little or no warning.

Al-Qa'ida is committed to damaging the U.S. economy and U.S. prestige and will attack any target that will accomplish these goals.

- There are strong indications that al-Qa'ida will revisit missed targets until they succeed, such as they did with the World Trade Center. The list of missed targets now includes the White House and the Capitol.

In addition, our **transportation systems** across the country, particularly the subways and bridges in major cities, as well as airlines, have been a continual focus of al-Qa'ida targeting.

Mr. Chairman, my classified statement sets forth additional detailed information about what we know and can anticipate about al-Qa'ida's operational methodology. I will be happy to address those matters with the Committee in a closed session.

We also remain concerned about al-Qa'ida's efforts to acquire weapons of mass destruction. The discovery of ricin in Europe, al-Qa'ida's clear interest in a range of Chemical, Biological, Radiological and Nuclear (CBRN) weapons, and its desire to attack the U.S. at equal or greater levels than 9/11, highlight the need for continual vigilance in this regard.

Finally, al-Qa'ida retains a cadre of supporters within the U.S. which extends across the country. These supporters are not confined to individuals of Middle Eastern extraction, as evidenced by the members of the al-Qa'ida support group arrested and convicted in Portland, Oregon. In fact, al-Qa'ida appears to recognize the operational advantage it can derive from recruiting U.S. citizens. While the bulk of al-Qa'ida's supporters in the U.S. are engaged in fundraising, recruitment, and logistics, there have been cases of those apparently involved in operational planning.

Other International Terrorist Groups

While al-Qa'ida and like-minded groups remain at the forefront of the war on terror, other groups, such as Hizballah, HAMAS and PIJ in the U.S. warrant equal vigilance due to their ongoing capability to launch terrorist attacks inside the U.S. Historically, however, these groups have limited their militant activities to Israeli targets and have reserved the U.S. for fundraising, recruitment, and procurement.

The FBI disrupted several significant Hizballah cells over the last year. In Charlotte, North Carolina, an individual was sentenced to 155 years in jail for conspiring to provide material support to Hizballah. In Detroit, Michigan, 11 individuals – some of whom have admitted to ties to Hizballah – were charged with bank fraud, cigarette smuggling and RICO offenses. These arrests were the result of a long-term investigation of criminal enterprises associated with Hizballah.

The Foreign Intelligence Threat

Mr. Chairman, although the impact of terrorism is more immediate and highly visible, espionage and foreign intelligence activities are no less threats to U.S. national security. Given our country's stature as the leading political, military, economic, and scientific power, both now and for the foreseeable future, foreign intelligence services and non-intelligence collectors will continue to recruit sources to penetrate the U.S.

Intelligence Community and U.S. government, target our national economic interests, research and development base, and national defense plans and information, and assert political influence through perception management operations. The loss of sensitive, classified, and proprietary information critical to U.S. interests can hamper our ability to conduct international relations, threaten our military, and diminish our technological base and economic competitiveness.

My classified statement discusses our *National Strategy for Counterintelligence* and our current assessment of foreign intelligence threats. I will be happy to address these issues in greater detail in a closed session.

The Cyber Threat

Finally, Mr. Chairman, I would just like to mention that the FBI is also expanding our efforts to address the rapidly growing cyber threat as it relates to both terrorism and national security. The number of individuals and groups with the ability to use computers for illegal, harmful, and possibly devastating purposes is on the rise. We are particularly concerned about terrorists and state actors wishing to exploit vulnerabilities in U.S. systems and networks.

The FBI has a division dedicated to combating cyber crime and cyber terrorism. We are committed to identifying and neutralizing those individuals or groups that illegally access computer systems, spread malicious code, support terrorist or state sponsored computer operations, and steal trade secrets that present an economic and security threat to the U.S.

TRANSFORMATION OF THE FBI

Prioritization, Mobilization, and Centralization

Over the past year, the men and women of the FBI have continued to implement a plan that fundamentally transforms our organization to enhance our ability to predict and prevent terrorism. As you know, we took the first steps toward this transformation in the days and weeks following the 9/11 attacks. We established a new set of priorities that govern the allocation of manpower and resources in every FBI program and office. Counterterrorism is our overriding priority, and every terrorism lead is addressed, even if it requires a diversion of resources from other priorities. The other threats discussed above are also top priorities for the FBI.

Since 9/11, we have centralized management of our counterterrorism, counterintelligence, and cyber programs to limit "stove piping" of information, to coordinate operations, to conduct liaison with other agencies and governments, and to be accountable for the overall development and success of our efforts in these areas. Our operational divisions at Headquarters have analyzed the threat environment,

devised national strategies to address the most critical threats, and are implementing these strategies in every field office, task force, and Legat.

We have also reallocated resources in accordance with the new priorities. For example, we increased the number of agents assigned to counterterrorism from roughly 1,300 to 2,300, and hired over 400 analysts. To enhance our translation capabilities, we increased the number of permanent and contract linguists with skills in critical languages from 555 to over 1,200. We also established a number of new operational units that give us new or improved capabilities to address the terrorist threat.

The FBI Intelligence Program

Over the past year, we have made tremendous progress in implementing the next key step in our transformation – the FBI's Intelligence Program.

While the FBI has always been among the world's best collectors of information, for a variety of historical reasons, the Bureau never established a formal infrastructure to exploit that information fully for its intelligence value. Individual FBI agents have always capably analyzed the evidence in their particular cases, and then used that analysis to guide their investigations. But the FBI as an institution never elevated that analytical process above the individual case or investigation to an overall effort to analyze intelligence and strategically direct intelligence collection.

Today, an enterprise-wide intelligence program is absolutely essential. The threats to the homeland are not contained by geographic boundaries and often do not fall neatly into investigative program categories. Consequently, threat information has relationships and applicability that crosses both internal and external organizational boundaries. Counter-terrorism efforts must incorporate elements from -- and contribute toward -- counter-intelligence, cyber, and criminal programs. In order to respond to this changing threat environment, we are building our capabilities to fuse, analyze and disseminate our related intelligence, and to create collection requirements based on our analysis of the intelligence gaps about our adversaries.

We have created an Office of Intelligence within the FBI to establish and execute standards for recruiting, hiring, training, and developing the intelligence analytic workforce, and ensuring that analysts are assigned to operational and field divisions based on intelligence priorities. We also established a new position, the Executive Assistant Director for Intelligence (EAD-I), who joins the three other Executive Assistant Directors in the top tier of FBI management. We have hired an intelligence expert with 25 years of experience in the Intelligence Community to serve in this position which is responsible for managing the national analytical program and for institutionalizing intelligence processes in all areas of FBI operations.

We have established a formal requirements process for identifying and resolving intelligence gaps. This will allow us to identify key gaps in our collection capability that must be filled through targeted collection strategies.

Finally, in order to ensure that FBI-wide collection plans and directives are incorporated into field activities, all field offices have established a Field Intelligence Group (FIG). The FIG is the centralized intelligence component in each field office that is responsible for the management, execution, and coordination of intelligence functions. FIG personnel gather, analyze, and disseminate the intelligence collected in their field office.

Field offices will also support the "24-hour intelligence cycle" of the FBI by employing all appropriate resources to monitor, collect, and disseminate threat information, investigative developments (e.g. urgent reports), and other significant raw intelligence to meet the executive information needs of the field offices, other field offices, FBI Headquarters, Legal Attachés, and other federal or state and local agencies.

If our Intelligence Program is to succeed, we must continue to build and strengthen our intelligence workforce. Our efforts to recruit, hire, and train agents and analysts with intelligence experience began shortly after September 11, 2001. In 2003 and in early 2004, we have also taken steps to enhance the stature of intelligence and analysis within the FBI and to provide career incentives for specialization in these areas. To ensure that our intelligence mission is carried out, we revised field office and program inspections and agent and management evaluations to make it clear that developing and disseminating intelligence is the job of every office and agent.

Mr. Chairman, my prepared statement provides additional details about the many enhancements to our intelligence program to include increased training, targeted hiring, creation of a College of Analytical Studies, establishment of career tracks for Agents who devote their careers to intelligence, and improvements to our information technology. In the interest of time, Mr. Chairman, I will conclude at this point and respond to any questions the Committee may have. Thank you again for the opportunity to be here today.

**STATEMENT OF THE HONORABLE ROBERT S. MUELLER, III,
DIRECTOR, FEDERAL BUREAU OF INVESTIGATION**

Director MUELLER. Thank you, Mr. Chairman, and Senator Rockefeller and members of the Committee, for this opportunity to discuss the world threats facing this nation and how the FBI has adapted to meet these emerging threats.

I'm going to touch on some of the successes of the past 12 months, but at the outset I would like to say that none of these successes would have been possible without the extraordinary efforts of our partners in the Intelligence Community, and most particularly in state and local law enforcement, as well as with the help of our counterparts around the world.

Also at the outset, I should mention that the Muslim-American, Iraqi-American and Arab-American communities in the United States have contributed a great deal to our success, and on behalf of the FBI, I would like to thank these communities for their assistance and for their ongoing commitment to preventing acts of terrorism.

In 2003, the United States and its allies made considerable advances toward defeating the al-Qa'ida network around the world. And since this Committee's worldwide threat hearing last year, the efforts of the FBI, along with our state and local law enforcement partners—the efforts to identify terrorists and to dismantle terrorist networks have yielded major successes.

In Cincinnati, an al-Qa'ida operative was charged with providing material support to terrorists.

In Baltimore, a resident was identified as an al-Qa'ida operative with direct associations to now detained senior al-Qa'ida operative Tawfiq bin Attash and Khalid Shaykh Mohammed.

In Tampa, the United States leader of the Palestine Islamic Jihad and three of his lieutenants were arrested under the RICO statute for their participation in a conspiracy that contributed to the deaths of two United States citizens in Israel.

In Newark, three individuals, including an illegal arms dealer, were indicted for their role in attempting to smuggle a shoulder-fired missile into the United States.

And in Minneapolis, an individual who trained in Afghanistan and provided funds to associates in Pakistan was recently arrested and charged with conspiring to provide material support to al-Qa'ida.

Mr. Chairman, it is important to note that we attribute these and other recent successes to our close coordination and information sharing with other members of the intelligence community, with our overseas partners, and with state and local law enforcement officials, many of whom participate in our 84 Joint Terrorism Task Forces.

As you know, the Joint Terrorism Task Forces team up FBI agents with police officers, members of the Intelligence Community, Homeland Security and other federal partners to coordinate counterterrorism investigations and to share information. The Joint Terrorism Task Forces have played a central role in virtually every terrorism investigation, prevention or interdiction within the United States over the past year.

Our current abilities to coordinate with our partners and develop actionable intelligence to prevent terrorist attacks are a direct result of our efforts to transform the FBI to meet our counterterrorism mission. And while I am going to discuss this transformation, first I would like to spend a few moments discussing what we see as the greatest threats facing the United States.

As Mr. Tenet has indicated, the greatest threat remains international terrorism, specifically Sunni extremists, including al-Qa'ida. While our successes to date are dramatic, we face an enemy that is determined, an enemy that is resilient, an enemy that is patient, an enemy whose ultimate goal is destruction of the United States. Al-Qa'ida's flexibility and adaptability continue to make them dangerous and unpredictable. The enemy still has the capability to strike in the United States and to strike United States citizens abroad with little or no warning.

Al-Qa'ida is committed to damaging the United States economy and United States prestige, and will attack any target that will accomplish these goals.

There are strong indications that al-Qa'ida will revisit missed targets until they succeed, such as they did with the World Trade Center. And the list of missed targets now includes both the White House as well as the Capitol. In addition, our transportation systems across the country, particularly the subways and bridges in major cities, as well as airlines, have been a continual focus of al-Qa'ida targeting.

We, too, remain concerned about al-Qa'ida's efforts to acquire weapons of mass destruction. The discovery of ricin in Europe, al-Qa'ida's clear interest in a range of chemical, biological, radiological and nuclear weapons, and its desire to attack the United States at equal or greater levels than 9/11 highlight the need for continued vigilance in this regard.

Finally, al-Qa'ida retains a cadre of supporters within the United States which extends across the country. Indeed, al-Qa'ida appears to recognize the operational advantage it can derive from recruiting United States citizens. And while the bulk of al-Qa'ida supporters in the United States are engaged in fundraising, recruitment and logistics, there have been cases—some of which I've mentioned previously—there have been cases of those apparently involved in operational planning.

While al-Qa'ida and like-minded groups remain at the forefront of the war on terror, other groups, such as Hizbollah, Hamas and the Palestine Islamic Jihad, warrant equal vigilance due to their ongoing capability to launch terrorist attacks within the United States. Historically, however, these groups have limited their militant activities to Israeli targets and have focused on fundraising, recruitment and procurement as their main activities in the United States.

The FBI disrupted several significant Hizbollah cells over the last year. In Charlotte, North Carolina, an individual was sentenced to 155 years in jail for conspiring to provide material support to Hizbollah. In Detroit, Michigan, 11 individuals, some of whom have admitted ties to Hizbollah, were charged with bank fraud, cigarette smuggling and RICO offenses. These arrests were

the result of a long-term investigation of criminal enterprises associated with Hizbollah.

Mr. Chairman, although the impact of terrorism is more immediate and more highly visible, espionage and foreign intelligence activities are no less threats to the United States national security.

Given our country's stature as the leading political, military, economic and scientific power, foreign intelligence services will continue to recruit sources to penetrate the United States Intelligence Community and the United States government. They will continue to target our national economic interests and our research and development base. They will continue to attempt to assert political influence through perception management operations.

The loss of sensitive, classified and proprietary information critical to United States interests can hamper our ability to conduct international relations, can threaten our military and diminish our technological base, as well as our economic competitiveness.

Mr. Chairman, I should also mention that the FBI is expanding our efforts to address the rapidly growing cyber threat as it relates to both terrorism and national security. The number of individuals and groups with the ability to use computers for illegal, harmful and possibly devastating purposes is on the rise. We are particularly concerned about terrorists and state actors wishing to exploit vulnerabilities in United States systems and networks.

The FBI has a division dedicated to combating cyber crime and cyber-terrorism and we are committed to identifying and neutralizing those individuals or groups that illegally access computer systems, spread malicious code, and support terrorist or state-sponsored computer operations.

Over the past year, Mr. Chairman, the men and women of the FBI have continued to implement a plan that fundamentally transforms our organization to enhance our ability to predict and to prevent terrorism. As you know, we took the first steps toward this transformation in the days and weeks following the 9/11 attacks and we established a new set of priorities that govern the allocation of manpower and resources in every FBI program and in every FBI office.

Counterterrorism is our overriding priority and every terrorism lead is addressed, even if it requires a diversion of resources from other priorities. Since September 11, we have centralized management of our counterterrorism, counterintelligence and cyber programs to eliminate stovepiping of information, to coordinate operations, to conduct liaison with other agencies and governments, and to be accountable for the overall development and success of our efforts in these areas.

Our operational divisions at headquarters have analyzed the threat environment and devised national strategies to address the most critical threats and are implementing these strategies in every field office. We have also reallocated resources in accordance with these new priorities. For example, we have increased a number of agents assigned to counterterrorism from roughly 1,300 to 2,300 and hired over 400 analysts.

Our Joint Terrorism Task Forces have grown from 35 to 84. Prior to September 11 we had a little over 900 agents and police officers

serving on our task forces. We now have over 3,300 serving on those task forces.

And to enhance our translation capabilities, we increased the number of linguists with skills in critical languages from 555 to over 1,200.

Mr. Chairman, over the past year we also have made substantial progress in implementing the next key step in our transformation, and that is the FBI's intelligence program. The FBI has always been among the world's best collectors of information. For a variety of historical reasons, the Bureau did not have a formal infrastructure to exploit that information fully for its intelligence value.

While individual FBI agents have always capably analyzed the evidence in their particular cases and then used that analysis to guide their investigations, the FBI has in the past, but not across the board, implemented an overall effort to analyze intelligence and then strategically direct intelligence collection.

Today, an enterprise-wide intelligence program is absolutely essential. The threats to the homeland are not contained by geographic boundaries and often do not fall neatly into investigative program categories. Consequently, threat information has relationships and applicability that crosses both internal and external organizational boundaries. Counterterrorism efforts must incorporate elements and contribute toward counterintelligence, cyber and criminal programs. And in order to respond to this changing threat environment, we are building our capabilities to fuse, analyze and disseminate our related intelligence and to create collection requirements based on our analysis of the intelligence gaps about our adversaries.

We have an Office of Intelligence within the FBI which establishes and executes standards for recruiting, hiring, training and developing the intelligence analytical workforce and to ensure that analysts are assigned to operational and field divisions based on intelligence priorities.

We have established a new position of Executive Assistant Director for Intelligence, joining the other three Executive Assistant Directors in the top tier of FBI management, and we recruited Maureen Baginski, an intelligence expert with 25 years of experience in the intelligence community, to serve in this position. She's responsible for managing the national analytical program and for institutionalizing intelligence processes in all areas of FBI operations. Among her responsibilities are those for managing the establishment of the formal requirements process that will identify and resolve those intelligence gaps, allowing us to fill those gaps through collection strategies.

Finally, in order to ensure that the FBI-wide collection plans and directives are incorporated into our field activities, all field offices have established a Field Intelligence Group, and each of those groups is the intelligence component in the field office responsible for the management, execution and coordination of the intelligence functions.

For our intelligence program to succeed, we must continue to build and strengthen our intelligence workforce. Our efforts to recruit, hire and train agents and analysts with intelligence experience began shortly after September 11. And now we are also taking

steps to enhance the stature of intelligence and analysis within the FBI and to provide career incentives for specialization in these areas. To ensure that our intelligence mission is carried out, we are revising our field office and program inspections and agent and management evaluations to make it clear that developing and disseminating intelligence is the job of every office and agent.

Mr. Chairman, my prepared statement provides additional details about the many enhancements to our intelligence programs, including increased training, targeted hiring, creation of the College of Analytical Studies, establishment of career tracks for agents who will devote their careers to intelligence, and improvements to our information technology.

In the interest of time, Mr. Chairman, I will conclude at this point. And again, I will be happy to answer any questions the Committee may have. Thank you for the opportunity to give this statement.

Chairman ROBERTS. And we thank you, Director Mueller.

Admiral, would you please proceed?

[The prepared statement of Admiral Jacoby follows:]

SSCI# 200 - 0860



**Current and Projected National Security Threats
to the United States**

**Vice Admiral Lowell E. Jacoby, U.S. Navy
Director, Defense Intelligence Agency**

**Statement For the Record
Senate Select Committee on Intelligence
24 February 2004**

INTRODUCTION

Last year I testified that Defense Intelligence was at war on a global scale. That war has intensified. Defense Intelligence is providing intelligence essential to defeat our nation's enemies in the Global War on Terrorism (GWOT), Iraq and Afghanistan. In addition, we are intent on identifying emerging challenges to our homeland, allies and interests. Providing the highest quality defense-related intelligence to our war fighters, defense planners and national security policy makers is essential for the successful accomplishment of their tasks.

The events of the last several years and our successes are transforming the strategic environment. Defense Intelligence must identify those new opportunities and challenges to support our nation's security strategy. In addition to these daunting tasks, we are called upon to "know something about everything all the time." The potential for surprise is an enduring reality, especially when we are simultaneously engaged on several fronts. We must mitigate the impact of surprise by devoting resources to broad situational awareness and quickly generate needed intelligence on any security issue as disturbing trends or opportunities are identified.

ENABLE SWIFT DEFEAT OF THE ENEMY

Global Terrorism. During the last year, notable progress has been achieved in the GWOT. We have shrunk the favorable operating environments for al-Qaida and other terrorist groups and captured several al-Qaida senior operational coordinators and a significant number of terrorists. We have disrupted several terrorist operations. Nevertheless, Al-Qaida remains the greatest terrorist threat to our homeland. Al-Qaida expressed its intent to stage another wave of attacks in the US. Aircraft hijackings remain a concern.

Despite 25 months of sustained pressure, al-Qaida continues to demonstrate it is an adaptable and capable threat. Their network has directed numerous attacks since 9/11, most recently in Istanbul and Riyadh. Al-Qaida continues to enjoy considerable support and is able to recruit terrorists. Capable but less experienced individuals are replacing those captured.

Al-Qaida's planning has become more decentralized and has shifted to softer targets. The network increasingly generates attacks in alliance with like-minded groups like Jemaah Islamiyah (JI) in Southeast Asia. The arrest of senior al-Qaida and JI leader Hambali last summer eliminated a significant link between the two groups. However, the al-Qaida/JI nexus will endure because the two groups have a shared ideology and experience during the period of Soviet involvement in Afghanistan. While al-Qaida does not control the daily operations of JI or affiliated groups, congruence of broad goals promise continued attacks against US interests and our partners in the GWOT.

Al-Qaida and other terrorist groups remain interested in acquiring Chemical, Biological, Radiological and Nuclear (CBRN) weapons. We remain concerned about rogue scientists and the potential that state actors are providing, or will provide, technological assistance to terrorist organizations.

Terrorist use of man-portable air defense system (MANPAD) missiles against civilian and military aircraft was underscored following the attack last fall against a commercial cargo aircraft in Baghdad and the failed attack in Mombassa in 2002. A MANPAD attack against civilian aircraft would produce large number of casualties, international publicity and a significant economic impact on civil aviation. These systems are highly portable, easy to conceal, inexpensive, available in the global weapons market and instruction manuals are on the internet. Commercial aircraft are not equipped with countermeasures and commercial pilots are not trained in evasive measures. An attack could occur with little or no warning. Terrorists may attempt to capitalize on these vulnerabilities.

Iraq is the latest jihad for Sunni extremists. Iraq has the potential to serve as a training ground for the next generation of terrorists where novice recruits develop their skills, junior operatives hone their organizational and planning capabilities, and relations mature between individuals and groups as was the case during the Soviet occupation of Afghanistan and extremist operations in the Balkans.

Although not presently linked to attacks on the GWOT Coalition, Lebanese Hizballah remains capable of terrorist operations on a global scale. Hizballah has extensive and well-honed capabilities and may have contingency plans in place for attacks in Iraq. The group's global presence makes it a potential threat to our interests worldwide.

The Revolutionary Armed Forces of Colombia (FARC) remains the most potent terrorist threat to US interests in Colombia. During the past year, the FARC conducted multiple attacks in Colombia and since early 2003 has held three US citizens hostage. Its attack against a Bogota bar, last fall, injured three Americans and 70 Colombians, killing one. The continued emphasis on urban terrorism, especially in Bogota, increases the risk to US citizens. At the same time, the FARC's perception that US support is the direct cause of the Colombian government's recent successes, increases the likelihood the group will target US interests in 2004.

We are also increasingly concerned over "Ungoverned Spaces," defined as geographic areas where governments do not exercise effective control. Terrorist groups and narco-traffickers use these areas as sanctuaries to train, plan and organize, relatively free from interference. There are numerous "Ungoverned Spaces" around the world such as the western provinces in Pakistan, portions of the southern Philippines, Indonesian islands, Chechnya, rural areas in Burma, several areas in Africa and areas in South America. Ungoverned spaces include densely populated cities where terrorists can congregate and prepare for operations with relative impunity. I believe these areas will play an increasingly important role in the War on Terrorism as al-Qaida, its associated groups and other terrorist organizations use these areas as bases for operations.

A number of factors combine to present a terrorist threat to the United States for years to come. Despite recent reforms, Arab populations on the whole live in societies that lack political and economic freedoms, effective government and good educational systems. Literacy and education levels were lower than in many other developing regions. Especially in madrasas, teaching methods and religious curriculum emphasizing rote learning produce students without skills needed to compete for jobs and anti-Western in beliefs. At the national level, their poorly educated workforces limit ability to compete in the global economy. Not surprisingly, many

Arab states suffer high unemployment. “Demographic bubbles” which burden government services and economies promise continued problems. These factors in combination will feed Arab public sentiment which is increasingly opposed to US policies. Radical Islam has the potential to be a force in many areas of the world for decades to come.

Iraq. The security situation in Iraq varies by region. The north, where Kurds maintained control after the fall of the regime and have a largely intact infrastructure is quiet. The south also remains comparatively quiet. Moderate Shia clerics and the Shia population support Coalition efforts and oppose Former Regime Elements (FREs). However, the situation could become volatile. Shia backing for the Coalition is based largely on expectations that a political structure based on an elected representative government serves their interests.

Insurgent attacks in central Iraq account for the vast majority of all incidents. Anti-Coalition activity centers in Sunni-dominated areas, especially west of Baghdad, around Mosul and along the Baghdad-Tikrit corridor -- areas home to former regime military and security members. Saddam's capture likely reduced the morale and effectiveness of some resistance members. However, many FREs and party loyalists are motivated by Arab and Iraqi nationalism and self-interest and will continue the resistance, opposing the foreign presence and emerging new order. That said, it appears much of the Sunni population has not decided whether to back the Coalition or support the opposition. The key factor is whether stability can be established and whether viable alternatives to the Ba'athists or Islamists emerge.

We believe FREs led by remnants of the Baath Party are responsible for the majority of anti-Coalition attacks. Their strategy appears to be multi-faceted: attempting to undermine the Coalition, creating insecurity, attacking cooperating Iraqis and assassinating leading figures, and driving out international organizations. The FREs have adjusted to Coalition tactics, and now employ more “stand-off” weapons, such as improvised explosive devices (IEDs), rocket-propelled grenades (RPGs) and mortars.

The number of anti-Coalition attacks has declined over the past months from a high in November during Ramadan. Additionally, the Coalition has captured or killed 46 of the 55

most-wanted former regime members. Efforts to capture the remaining senior former regime figures, in particular, Izzat Ibrahim al-Duri, are supported almost daily by new intelligence.

Foreign fighters, while fewer in numbers than the FREs, are a threat. Fighters from numerous countries are reported to have entered Iraq. They are motivated by Arab nationalism, extremist religious ideology and/or resentment of U.S. policies and beliefs. Most are assessed to be linked to groups that hope to gain notoriety and increased support by conducting attacks in Iraq.

In addition to our other efforts in Iraq, supporting the search for CAPT Michael Scott Speicher remains a high priority. We continue focused efforts to determine his status. These efforts will continue until we have a full accounting.

Afghanistan. Attacks by Taliban and Hezb-e Islami Gulbuddin (HIG) since early spring of last year, reached their highest levels since the collapse of the Taliban government. The majority of the attacks are ineffective rocket or bomb attacks. However, recent attacks show increasing accuracy and sophistication. Violence against humanitarian assistance and reconstruction personnel has led some organizations to suspend operations. Continued reductions of United Nations activity may negatively impact the Bonn Process. Upcoming political events such as the June 2004 presidential elections may prompt increases in violence.

Afghanistan's new constitution was approved in early January. This paves the way for a presidential election this summer and legislative elections later this year. The show of support among Loya Jirga delegates for President Hamid Karzai bodes well for his political strength and chances in the presidential election.

Karzai's ability to use his growing political strength to encourage compliance with his reform agenda may provide long term stability, but could result in near term tensions. President Hamid Karzai remains critical to stability in Afghanistan. As a Pashtun, he remains the only individual capable of maintaining the trust of Afghanistan's largest ethnic group (Pashtuns) and support of other ethnic minorities. A Taliban insurgency that continues to target humanitarian

assistance and reconstruction efforts is a serious threat, potentially eroding commitments to stability and progress in Afghanistan.

Pakistani assistance remains a key to a successful outcome. Cultural, religious and political considerations have limited the central government's commitment to disrupting Taliban operations, support and sanctuaries. However, Pakistan has been more active against al-Qaida infrastructure. Pakistani military operations have contributed to the disruption of al-Qaida sanctuaries, particularly in South Waziristan.

RELIABLE STRATEGIC WARNING ACROSS THE FULL SPECTRUM OF POTENTIAL THREATS

Weapons of Mass Destruction and Missile Proliferation The trend with respect to weapons of mass destruction (WMD) and missiles remains troublesome. There is continuing terrorist interest in acquiring and using WMD, especially biological, chemical, and radiological weapons. North Korea's reactivation of the Yongbyon nuclear facility and Iran's admission to the International Atomic Energy Agency (IAEA) about years of covert nuclear activity reinforce concerns. The recent Libyan disclosure and pledge to divest itself of WMD and long range missiles programs and admit international inspectors is a positive sign. Other states continue to develop biological and chemical weapon capabilities. Numerous states continue to improve their ballistic and cruise missiles, focusing on longer range, better accuracy, deployment of new units and use of underground facilities. Proliferation of WMD- and missile-related technologies continues and new supply networks challenge US counter-proliferation efforts.

Nuclear Weapons Russia's nuclear weapons stockpile continues to decline. DIA believes the number of weapons in China, India, Pakistan and North Korea will grow. We are also concerned about Syrian interest in nuclear technologies that could support a weapons program.

We believe North Korea has nuclear warheads from plutonium produced prior to the 1994 Agreed Framework. After expelling IAEA personnel in late 2002, North Korea reactivated facilities at Yongbyon and claims it reprocessed the 8,000 spent fuel rods from the Yongbyon reactor, adding plutonium for additional weapons. Pyongyang is expected to increase its weapons inventory by the end of the decade through plutonium production and a possible unlocated uranium enrichment capability. North Korea's current proliferation activities are troubling. The potential for the North to market nuclear weapons and technology is also troubling.

In 2003, Iran admitted to the IAEA that it had a covert uranium enrichment program for many years, removing any doubt about the military intent of their program. Tehran now claims it will halt uranium enrichment activity, in exchange for nuclear technologies. Faced with international pressure, Iran signed, but has not yet ratified the Nuclear Nonproliferation Treaty's Additional Protocol, allowing for more intrusive IAEA inspections. However, we remain concerned about Iran's ultimate nuclear intentions.

In South Asia, India and Pakistan have well-developed nuclear infrastructures and small stockpiles of weapons. Pakistan recently developed the capability to produce plutonium for potential weapons use. Weapon stockpiles in India and Pakistan are expected to grow.

Chemical and Biological Weapons Numerous states have chemical and biological warfare programs. Some have produced and weaponized agents, while others are in research and development stages. Contributing to the threat is potential development of new agents with toxicities exceeding those of traditional agents, or with properties that could challenge existing countermeasures. While we have no intelligence suggesting states are planning to give terrorist groups these weapons, we remain concerned about, and alert to, the possibility.

These weapons are easier to develop, hide, and deploy than nuclear munitions. Supporting technologies are relatively inexpensive and readily available because they have legitimate roles in medical, pharmaceutical and agricultural industries.

Ballistic Missiles In addition to Russia and China, the United States will likely face intercontinental ballistic missile threats from North Korea. Iran may have the capability to field an intercontinental ballistic missile by 2015. Russia's force will continue to be the most robust and lethal.

China is modernizing its ballistic missile forces and is fielding increasingly accurate solid-fuel, road-mobile missiles that will enhance survivability and provide Beijing flexibility. China is improving its silo-based, liquid-propellant ICBMs and is testing a new mobile, solid-propellant ICBM, the 8,000-km-range DF-31. It also is developing programs for an extended-range version of the DF-31. The number, reliability, survivability and accuracy of Chinese strategic missiles capable of hitting the United States will increase during the next decade.

Based on a space launch vehicle program, we judge Iran will have the technical capability to develop an intercontinental ballistic missile. However, we do not know whether Iran has decided to field such a missile. Tehran declared its 1,300-km Shahab-3 medium-range ballistic missile operational last summer.

North Korea continues to develop its Taepo Dong 2 intercontinental ballistic missile. This missile could deliver a nuclear warhead to parts of the United States in a two stage variant and target all of North America if a third stage is added. Press reports indicate North Korea is preparing to field a new IRBM, about the size and dimensions of the Russian SS-N-6 SLBM. If this is true, such a missile could reach US facilities in Okinawa, Guam and possibly Alaska. North Korea is the world's leading supplier of missiles and related production technologies, selling to countries in the Middle East and North Africa and to Pakistan.

Cruise Missiles The numbers and capabilities of cruise missiles will increase, fueled by maturation of land-attack and anti-ship cruise missile programs in Europe, Russia and China; sales of complete systems; and the spread of advanced dual-use technologies and materials. The threat from today's anti-ship cruise missiles is challenging and will increase with the introduction of more advanced guidance and propulsion technologies. Proliferation of land

attack cruise missiles will also increase the threat to our forward based military forces and provide area denial weapons against potential contingency operations.

Today, very few countries, to include Russia, possess land-attack cruise missiles. China is expected to field its first dedicated LACM soon. China is developing and procuring anti-ship cruise missiles capable of being launched from aircraft, surface ships, submarines and land that will be more capable of penetrating defenses.

In the next ten years, we expect other countries to join Russia, China and France as major exporters in cruise missiles. India, in partnership with Russia, will begin production of the PJ-10, an anti-ship and land attack cruise missile, this year and may export the system.

Proliferation Russia, China, and North Korea support various WMD and missile programs, especially in the Middle East and South Asia. Russian entities support missile and civil nuclear programs in China, Iran and India, and to a lesser degree in Syria. Some of these nuclear technologies could have weapons applications. Chinese companies remain involved with nuclear and missile programs in Pakistan and Iran. In some cases, entities from Russia and China are involved without the knowledge of their governments. North Korea is the world's leading supplier of missiles and related technologies. We also see evidence of what is termed "secondary proliferation," when countries who previously imported weapons or weapons technology begin indigenous production and export of those systems. The most disturbing example of this trend is the linkage of North Korean, Libyan and Iranian enrichment programs to Pakistani technology.

Information Operations (IO). The information operations threat consists of capabilities such as electronic warfare, propaganda, denial and deception, and computer network attack to affect human or automated decisionmaking processes. Some of these target infrastructures such as US logistics, command, control, communications, computers, intelligence, surveillance and reconnaissance and domestic economic infrastructure. Several adversaries are pursuing information operations focused on select capabilities such as propaganda and denial and deception. Russia and China have adopted more comprehensive approaches with multiple

capabilities. Chinese military theorists are developing information operations doctrines, targeting both Western and regional nations that will pose a long-term strategic threat to US interests.

Many adversaries have demonstrated skill in misinformation and disinformation campaigns that target the United States and third parties to undermine US interests. The threat to computer networks is extremely dynamic, with growing capabilities that are easily proliferated. Numerous distributed denial of service techniques, to include viruses and worms, could be used to shut down or disrupt computers in the lead up to or during a conflict. Most disturbing is that the basic tools are readily available on the Internet and can be customized by adversaries to fit their needs. We expect the IO threat to grow.

General Technology Proliferation. The situation remains unchanged from my testimony last year. Advances in information technology, biotechnology, communications, materials, micro-manufacturing, and weapon development are having a significant impact on the way militaries and terrorist groups organize, plan, train and fight. Globalization of “R&D intensive” capabilities, such as computer hardware and software, biotechnology and nanotechnology, is allowing smaller militaries, groups, and even individuals’ access to capabilities previously limited to those of the major powers. Integration, advancements and unanticipated applications of emerging technologies make the future and, correspondingly, our military strengths and vulnerabilities, extremely difficult to predict. While DIA cannot identify with specificity, some aspects of our military advantage will erode. Technological surprise is of great concern and we are watching this area intensely.

Global Defense Spending. Non-US global defense spending which we reported last year dropped 50% over the past decade, will likely increase during the next five years. The improving global economy is allowing increased funding at moderate rates. Defense spending will enable countries to pursue selective force modernization.

Globalization. Globalization remains an overwhelming force that presents security challenges. Terrorists, proliferators of illicit weapons and military technology, narco-traffickers

and alien smugglers are making increasing use of the world's financial, communication and transportation systems. Rapid change from transforming industries and infusion of foreign products, media and ideas is outstripping the ability of many governments and societies to adjust politically, economically and culturally. Portions of the population in many of these countries are instigating a backlash against the West and the United States, in particular. This backlash is one factor in extremist movements such as al-Qaida in the Islamic world and political instability in a broad range of countries. Our challenge is to develop collection and analytical skills to track and intercept the threatening things and people traveling around the world, and understand and predict instability and the social backlash that threaten our citizens and interests.

International Crime. Criminal groups in Western Europe, China, Colombia, Israel, Japan, Mexico, Nigeria, and Russia are involved in illicit transfers of arms and military technologies, narcotics trafficking and alien smuggling. We continue to identify links between terrorism and organized crime. For example, the Afghan drug trade is a source of revenue and logistic support for Taliban and other opposition groups. Elements of al-Qaida traffic in opium and heroin. In addition, we are concerned that criminal groups will use their established networks to traffic in Weapons of Mass Destruction and terrorist movement.

Uneven Economic and Demographic Growth. Uneven economic and demographic growth will remain a source of instability. The poorest countries are almost universally those with the fastest population growth. High birth rates create demographic momentum as large groups of young people reach child-bearing age. As a result, much of the world population will remain below internationally recognized poverty standards. This is a problem not only for the very poor countries, but middle income ones as well. Middle Eastern, South East Asian and African states are experiencing a "demographic bubble" (34% of Egyptians, 43% of Saudi Arabians, 42% of Afghans, 36% of Filipinos, 43% of Liberians and 48% of Congolese (DROC) are less than 15 years of age). Their economies and government services are not meeting the demands of growing populations. Education systems, as I spoke to earlier in my testimony, are a critical factor for development. Inadequate education systems can mean countries and even regions are not capable of taking advantage of the opportunities of the global economy. The gap between the rich and the poor grows larger. Meanwhile, the communications revolution gives

the poor a clearer view of the world's wealth, fueling resentment against their own governments and the developed world.

North Korea. Pyongyang's open pursuit of nuclear weapons and delivery systems remains a serious challenge. Pyongyang considers its nuclear weapons program critical to regime survival. North Korean media reports suggest Kim Chong-il believes the speed and success of Operation IRAQI FREEDOM (OIF) underscores the ineffectiveness of the North's conventional forces and the value of nuclear weapons.

North Korea's approach with respect to nuclear weapons is assessed to be designed to achieve the maximum concessions from the US and other regional powers to ensure its own political and economic survival. While Kim Chong il may be willing to abandon his nuclear weapons program, turn over the existing plutonium stockpiles and accept a vigorous inspection regime, we do not know the specific conditions which the North would require to reach an agreement.

North Korea People's Army remains capable of inflicting hundreds of thousands of casualties and severe damage on the South. North Korean missile forces can also attack Japan. Internally, the regime in Pyongyang appears stable, but there are many unknowns. Kim Chong-il's security services maintain tight control over the domestic population.

North and South Korea cooperate in economic, transportation, and social sectors, but the South has made little headway on security issues. Without Seoul's assistance North Korea might be much less stable.

China. Chinese leadership transition since 2002 has progressed smoothly. The new leaders are unified in their focus on domestic stability and economic growth, maintaining the same security priorities and calculus as their predecessors. Former President Jiang Zemin retains control of the armed forces as Central Military Commission Chairman, providing continuity to Chinese military modernization and strategic direction.

China's leaders continue support for the global war on terrorism, in part because they see opportunities for international cooperation against domestic separatist problems--predominantly the ethnic-Uighur communities in western China. Beijing's criticism of the US presence in Afghanistan and Central Asia and what they consider US unilateralism has been muted. However, Beijing likely fears a long-term US presence on its borders. The Chinese government has also limited its criticism of Coalition military operations in Iraq.

China is keenly interested in Coalition military operations in Afghanistan and Iraq and is using lessons from those operations to guide People's Liberation Army modernization and strategy. Beijing was impressed with US ground forces' performance during the Iraq war. While several years will be needed to fully incorporate lessons, China's military leaders are reevaluating some of their military assumptions.

China continues to develop or import modern weapons aimed at enabling it to fight and win wars on or near its periphery. Acquisition priorities include surface combatants and submarines, air defense, fourth-generation fighters, ballistic and anti-ship cruise missiles, space and counter-space systems, and modern ground equipment. The PLA is also cutting approximately 200,000 personnel to streamline the force, reduce costs, and support modernization. While making progress, the PLA continues to face significant technical and operational challenges.

Domestic political events on Taiwan are the principal determinant of short term stability in the Taiwan Straits. Beijing is carefully monitoring developments in advance of Taipei's March 2004 presidential elections and referendum. We see no indications of preparations for large-scale military exercises to influence Taiwan voters. Most of China's efforts appear to be diplomatic, oriented toward convincing the United States to constrain Taiwan. China's leaders see last year's enactment of Taiwan's referendum-enabling legislation as a legal basis for prospective independence. China's leaders also are concerned that Taiwan President Chen Shui-bian would interpret re-election in 2004 as a popular endorsement for Taiwan independence. Beijing will not tolerate Taiwanese independence and will use military force regardless of the costs or risks.

Russia. After nearly a decade of declining activity, the Russian military is beginning to exercise its forces in mission areas it believes are essential for deterrence, global reach and rapid reaction. Open source reporting confirms that ground force exercise activity in 2003 doubled that of 2002; training for use of non-strategic nuclear forces continues; and Russia desires to have the ability for its Navy and Air Force to operate globally, as evidenced in their joint exercises in the Indian and Pacific Oceans in 2003. Russian military spending has increased in real terms in the past four years, in line with its improving economy. Additionally, we expect modest increases in the procurement of new weapons. Improvements will continue unless Russia suffers an economic setback – especially a significant decrease in the price of oil.

Moscow is attempting to reclaim great power status. Russian leaders believe an improving military supports its foreign policies and conveys the image of an active global power capable of asserting its national interests. It also supports the leaders' domestic political position. Additionally, Russia is improving its relations with some countries, most notably France, China, and India, in pursuit of a "multi-polar" world and to enhance its arms sales.

Russian military leaders were surprised by OIF's speed, effectiveness and low casualties, but not by the operation's ultimate success. Proponents of Western-style military reforms believe the results demonstrate the need for change in the Russian armed forces. However, they face resistance from an entrenched bureaucracy and senior leaders with vested interests in the status quo. OIF reinforced previous Russian assessments of the need for precision strike capabilities and improved intelligence, surveillance and reconnaissance systems. Russian military leaders recognize the need for more resources, but economic realities will prevent dramatic increases in military expenditures.

Russian leaders see OIF as an embodiment of US unilateralism and believe US actions have weakened the GWOT alliance. Despite these views, Russia voted in favor of several US-backed UN Security Council Resolutions. Moscow believes the United Nations should have the lead in establishing an Iraqi government. They will also work to ensure Russian commercial access to post OIF Iraq and repayment of some of their loans to the previous Iraqi regime.

President Putin and other Russian leaders reacted calmly to the latest round of NATO enlargement and are working to improve relations within NATO. However, many maintain the traditional Russian fear of military encirclement, citing potential of US military rebasing and suspicions that Washington is not interested in ratifying the adopted Conventional Armed Forces in Europe Treaty or extending it to the Baltic States. They will oppose Ukraine's, Georgia's and Azerbaijan's efforts to join NATO.

The Chechen war continues after more than four years and is a drain on the Russian military. Moscow rejects negotiations to end the war, but has not been able to defeat the guerrillas. Approximately 65,000-75,000 Russian troops remain in Chechnya. Official casualties approach Soviet losses in Afghanistan. However, Chechnya remains a minor issue for most Russians and has not threatened President Putin politically. Nevertheless, Chechen extremists remain capable of headline-grabbing attacks in many areas of Russia.

Iran. Iran remains wary of the large US force presence in Iraq. However, fears of war between the US and Iran have eased and most Iranians are indifferent to the US presence. Nonetheless, a substantial minority strongly distrusts US motives in the region. Iranian attitudes will be shaped by Washington's ability to improve the political and economic situation of ordinary Iraqis, especially the Shia.

With the exception of naval forces, Iran's military modernization has been stagnant. In reaction to OIF, Iran publicly announced implementation of an asymmetric strategy emphasizing lightly armed but numerous guerrilla forces. The only addition to Iran's air and air defense inventory is a new IRGC Air Force squadron of Su-25 close air support aircraft. Iran's Navy, the region's most capable, can temporarily disrupt maritime traffic through the Strait of Hormuz using a layered force of Kilo Class diesel submarines, ship- and shore-based antiship cruise missiles and naval mines.

On the domestic scene, the hope among Iranians that President Khatami could institute change has faded. Conservatives retain control, and reformists are not mounting a challenge to

their authority. Although Iran is stable for now, the regime must address social and economic problems if it is to ease public frustration and the potential for future unrest.

Israeli-Palestinian Violence. The Israeli Palestinian conflict remains basically unchanged from last year. It furthers anti-American sentiment, increasing the likelihood of terrorism and increasing pressure on moderate Middle East regimes. While Israeli-Palestinian violence continues, the intensity and fatality levels decreased this past fall. Nevertheless, violence could flare suddenly.

Periodic attacks along Israel's northern border could escalate, drawing in Syria and Lebanon. In October, Israel retaliated for a terrorist attack by striking a terrorist training camp in Syria. Israeli leaders warned they would hold Syria responsible for future terror attacks by groups it harbors or sponsors.

A US diplomatic convoy entering the Gaza Strip in October 2003 was deliberately targeted with an improvised mine. DIA believes this attack to be an isolated incident. We have no credible intelligence that a major Palestinian terrorist group is currently targeting US facilities and persons.

KNOW SOMETHING ABOUT EVERYTHING

Pressures in the Islamic World. The process of sorting through competing visions of what it means to be a Muslim state in the modern era continues. As stated earlier in my testimony, we are particularly concerned over the stability of many of our Arab partners because of their poor economic conditions, ineffective government institutions and "youth bulge." Arab public sentiment is increasingly opposed to US policies according to recent polls, increasing pressures on governments who support the US. Support for the war on terrorism is low, ranging from 56 percent in Kuwait to 2 percent among Jordanians and Palestinians. Support for America has dropped in most of the Muslim world. Favorable ratings in Morocco declined from 77 percent in 2000 to 27 percent in spring of last year and in Jordan from 25 percent in 2002 to only

1 percent in May 2003. The percentage of Saudi's expressing confidence in the United States dropped from 63% in May of 2000 to 11% in October 2003. The Israeli-Palestinian conflict, and Washington's perceived pro-Israeli bias, was cited in some polls as a leading reason for anti-US sentiment. These conditions and increasing anti-US sentiment provide sustenance for radical political Islam at the expense of moderate elements.

Many of our partners weathered stresses within their countries during OIF because of the short duration of the conflict, acquiescence to expression of moderate levels of anti-US sentiments and protests, and reliance on their strong military and security forces. Challenges to stability and continued support for the war on terrorism remain. Additionally, the assassination of a few key leaders could quickly change support for pro-US policies.

Pakistan President Musharraf faces significant political and economic challenges. He was recently the target of two sophisticated, well-planned assassination attempts. His support for the global war on terrorism, crackdown on indigenous Islamic extremists, Afghan policy, restrictions on Kashmiri militants and attempts to improve relations with India have all increased his vulnerability. Popular hostility to the US is growing, driven in particular by Islamabad's support for US counter-terrorism efforts. Opposition constrains his range of options.

Musharraf's viability depends on continued support from his military. He appears to retain the support of this core constituency. However, the two recent attempts on Musharraf suggest insider knowledge. He remains at high risk of assassination. If Musharraf were assassinated or otherwise replaced, Pakistan's new leader would erode pro-US policies. The extent and pace of this erosion will depend on how Musharraf departs and who replaces him.

Tension Between India and Pakistan Since Prime Minister Vajpayee's "hand of friendship" speech last spring and successful South Asia Association for Regional Cooperation (SAARC) conference in Islamabad this January, India and Pakistan have taken a series of steps to defuse tensions from the 2001/02 crisis. These include restoring high commissioners, resuming transportation links, building people-to-people contacts, observing a cease-fire along the Line of Control and pledging to engage in dialogue on all bilateral issues including Kashmir.

With the underlying causes of the Kashmir dispute unresolved and continued but reduced cross border infiltration, relations could rapidly deteriorate in the wake of another spectacular terrorist attack or political assassination. Both sides retain large forces close to the Line of Control in Kashmir and continue to develop their WMD and missile programs. Pakistan views its WMD programs as its only viable alternative to India's improving conventional capabilities.

Egypt, Jordan, Saudi Arabia The Egyptian government remains in control of the country. Egypt's multiple, overlapping security agencies effectively manage protests and political dissent. Cairo seeks closer official cooperation and consultation with Washington in promoting stability and security in Iraq but is limited by public discontent over US regional policies. Cairo also is actively pushing the various Palestinian factions to agree to a cease-fire and return to the negotiation table with Israel.

The Jordanian government remains stable, largely owing to the loyalty of the military and security forces to a very popular King. The government is accelerating political and economic reform in the face of chronic economic and social pressures. King Abdallah has acknowledged that terrorism remains a threat—citing the bombings of the UN headquarters and the Jordanian embassy in Iraq last year. Jordan's position has been steadfast in denouncing terrorism, and Jordanian Foreign Minister Muasher has reiterated Jordan's commitment to cooperate with all countries and multilateral efforts in the fight against terrorism.

Despite recent terrorist attacks, the Saudi regime's control of national resources, the security infrastructure and international support will enable the regime to survive. The backlash from last year's bombings actually strengthened public support for the global war on terrorism and prompted the government to seek increased international counterterrorism cooperation with the United States and other allies. At the same time, the Saudi public opposes US policies in the region.

Indonesia President Megawati, who faces election this summer, has increased political stability in Indonesia. Still, social and economic problems persist and Islamic extremists continue to foster terrorism and sectarian unrest. National unity remains a core preoccupation, with major security operations containing, but not defeating secessionists.

Terrorist bombings in Bali in 2002 and last year in Jakarta mobilized government efforts, leading to arrests and convictions of many Jemaah Islamiyah figures. Indonesia's largely moderate Islamic population rejects terrorism but often is wary of US policies in the Middle-East. Jakarta's cooperation on counter-terrorism will, to varying degrees, continue. However, the government will avoid close identification with the US and treat Islamic militant figures with caution through the elections. If President Megawati is re-elected, the Indonesian government will likely strengthen its counter-terrorism cooperation.

Philippines. Like President Megawati in Indonesia, President Arroyo has increased political stability in the Philippines and support for the GWOT. She is also standing for re-election in 2004. The country suffers from an active communist insurgency and Muslim separatist groups, some linked to al-Qaida. None, individually or combined, can overthrow the government. At the same time, government security forces are overextended and cannot deal effectively with the problems. Arroyo survived a failed coup by junior officers protesting corruption and pay inequity in the military in summer 2003. We do not expect a repeat of this incident prior to the May 2004 elections, despite the fact that coup rumors persist.

Philippine support for the war on terrorism will continue. US military operations in the Philippines are limited by their constitution and political opposition. Law enforcement efforts have actually been more successful than the military in capturing terrorists. Manila has contributed a 100 member contingent to Iraq and is willing to contribute more if funding issues are resolved. They are looking to benefit from reconstruction contracts.

Liberia. Liberia is representative of many countries in Africa suffering from widespread government corruption, illicit arms flow and mercenaries. Liberia is on a path to recovery after 14 years of civil war, owing to the ouster of regional troublemaker and former President Charles Taylor, the signing of a comprehensive peace accord, the intervention of UN peacekeepers and the installation of a National Transition Government (NTGL). Even so, power struggles within the NTGL and factional fighting in the interior will persist until the UN deploys forces in other

parts of Liberia to ensure demobilization and disarmament of targeted groups.

OTHER EVOLVING TRENDS

There are threats, both passive and active, to Defense Intelligence's collection capabilities. Information is the life blood of analysis and analysis is the foundation for knowledge. To ensure information superiority we must understand and counter those threats.

The Counterintelligence Threat. Threats from foreign intelligence entities, both state and non-state actors, represent a growing challenge as they become more complex and elusive. These actors target a widening range of US interests, from military and intelligence plans, operations and capabilities, to the growing threats to US economic, technological, scientific and industrial competencies. Adversaries and traditional allies alike target US capabilities.

Cover, Concealment, Camouflage, Denial and Deception. Key target countries have increased cover, concealment, camouflage, denial and deception efforts to thwart US technical intelligence, surveillance and reconnaissance and clandestine human intelligence collection. Virtually every state that perceives itself threatened by US military power and intelligence is assessing the performance of US tactics, weapons and reconnaissance capabilities in OIF to develop more effective countermeasures against US high-technology warfare.

Underground Facilities. Use of underground facilities (UGFs) to protect and conceal WMD, ballistic missiles, leadership, and other activities is expanding. Growing numbers of UGFs are especially notable among nations with WMD programs. In 2003, we have observed more than a dozen new military or regime-related UGFs under construction.

Space and Space-Denial Capabilities. Adversaries recognize the importance of space and are improving their access to space platforms. Worldwide, the availability of space products and services is accelerating, fueled by proliferation of advanced satellite technologies, including small satellite systems, and increased cooperation among states and increased activity by

consortia. These developments provide unprecedented communications, reconnaissance and targeting capabilities to our adversaries because most space systems have military as well as civil applications.

CLOSING THOUGHTS

The US faces an assortment of existing and developing challenges, ranging from growing arsenals of nuclear armed intercontinental ballistic missiles, to terrorists potentially armed with WMD or IO weapons, to insurgents and extremists attempting to destabilize our most important partners in GWOT. At the same time, advances in technology and increasing globalization have made our job of collection and analysis more difficult. Further complicating our task is the fact that some of our most productive and sensitive intelligence collection systems or their capabilities have been compromised, allowing adversaries to develop passive and active counter-measures.

My predecessors and I have testified that the defense intelligence threat paradigm, which focused primarily on the military capabilities of a small set of potential adversarial states no longer addresses the challenges we face. Traditional concepts of security, threat, deterrence, intelligence, warning, and superiority are outdated. We must transform our people, organizations and capabilities if we are to meet these new conditions, just as our adversaries pursue new ways to diminish our strengths.

As I testified last year, the intelligence transformation initiatives – intended to improve our capability to provide warning, increase the quality and relevance of our all-source analysis, better facilitate effects-based campaigns, supply greater insights into adversaries' intentions, enhance preparation of the intelligence and operational battle-space and more effectively support homeland defense – continue to be the centerpiece of my tenure as Director, Defense Intelligence Agency. I am particularly enthusiastic about the possibilities of achieving Persistent Surveillance and Horizontal Integration, and the fielding of “state of the practice” information management tools and capabilities within Defense Intelligence to improve our ability to discover

information and create knowledge, areas which I will highlight in my budget testimony later in the year.

The Defense Intelligence community – composed of DIA, Service intelligence, and the Combatant Command intelligence capabilities – is working hard to refine the processes, techniques and capabilities necessary to deal with the current threat as well as new and emerging security challenges and opportunities. As I said at the outset, our global war continues and has intensified. With your continued support, I am confident we will supply our war fighters, defense planners and policy makers with the knowledge they need to successfully execute their missions.

**STATEMENT OF VICE ADMIRAL LOWELL E. JACOBY, U.S. NAVY,
DIRECTOR, DEFENSE INTELLIGENCE AGENCY**

Admiral JACOBY. Thank you, Mr. Chairman, and members of the Committee. I appreciate this Committee's strong sustained support for defense intelligence and its men and women who are deployed around the world.

Last year I testified that defense intelligence was at war on a global scale. That war has intensified. Defense intelligence professionals, active duty military, reserves and civilians are providing the knowledge and skills essential to defeating enemies in Iraq, Afghanistan and the global war on terrorism.

In Iraq, the security situation varies by region. The north and the south remain comparably quiet. Attacks in central Iraq account for the vast majority of incidents and center in Sunni-dominated areas, especially west of Baghdad, around Mosul and along the Baghdad-Tikrit corridor, areas that were home to many former military and security members. I believe former regime elements led by Ba'ath Party remnants are responsible for the majority of anti-coalition attacks.

That said, it appears much of the Sunni population has not decided whether to back the coalition or support the insurgents. The key factors in this decision are stability and a future that presents viable alternatives to the Ba'athists or Islamists.

Foreign fighters, to include al-Qa'ida, are a continuing threat. They have perpetrated some of the most significant attacks and may be behind others, such as suicide attacks that caused high casualties. They are motivated by Arab nationalism, extremist religious ideology and opposition to U.S. policies and beliefs. Left unchecked, Iraq has the potential to serve as a training ground for the next generation of terrorists.

Mr. Chairman, I returned from Iraq ten days ago. At this point, I would like to recognize the exemplary work of the Iraqi Survey Group. DIA and defense intelligence personnel, intelligence community experts, counterparts from U.S. agencies and contractors and coalition members are analyzing new information, pursuing leads, inspecting and searching facilities and combing through, sorting and exploiting tens of thousands of documents in a dangerous and austere environment.

Forming and managing this mix of professionals has taken considerable effort, not just DIA people, but by our national and coalition partners as well. The ISG and those who provide support for their efforts are to be commended for their dedicated efforts as the ISG pursues a full accounting of Iraqi WMD programs, counterterrorism in Iraq and the fate of Captain Scott Speicher.

Turning to Afghanistan, last spring's attacks by opposition groups reached the highest level since the collapse of the Taliban government in December of 2001. Although activity has subsided somewhat, attacks continue. The Taliban insurgency that continues to target humanitarian assistance and reconstruction organizations is a serious threat. Some of those organizations have suspended operations. They play a key role in bringing stability and progress to this troubled nation.

Additionally, President Karzai remains critical to stability in Afghanistan. As a Pashtun, he is the only individual capable of main-

taining the trust of that ethnic group while maintaining support of other minorities.

Notable progress has been achieved in the global war on terrorism. We have shrunk operating environments for al-Qa'ida and other terrorist groups, captured al-Qa'ida senior coordinators and disrupted operations. Nevertheless, al-Qa'ida remains the greatest threat to our homeland and our overseas presence.

Al-Qa'ida continues to demonstrate it's adaptable and capable. While al-Qa'ida's planning has become more decentralized and shifted to softer targets, they continue attacks, most recently in Istanbul and Riyadh, enjoy considerable support in the Islamic world. Al-Qa'ida and other terrorist groups remain interested in acquiring chemical, biological, radiological and nuclear weapons. Hijackings and man-portable missile attacks against civilian aircraft remain of considerable concern.

A number of factors virtually assure a terrorist threat for years to come. Despite recent reforms, terrorist organizations draw from societies with poor or failing economies, ineffective governments and inadequate education systems. Demographic bubbles or youth bubbles further burden governments and economies. For instance, if we look at the percentage of population under 15 years of age, 43 percent of Saudi Arabians, 41 percent of Iraqis, 39 percent of Pakistanis, 34 percent of Egyptians, 33 percent of Algerians and 29 percent of Iranians fall into this group.

I'm also concerned over ungoverned spaces, areas where governments do not or cannot exercise effective control. Such spaces offer terrorist organizations sanctuary.

I remain concerned about the Islamic world. Many of our partners successfully weathered domestic stresses during Operation Iraqi Freedom; however challenges to their stability and their continued support for the war on terrorism remain. Islamic and Arab populations are increasingly opposed to U.S. policies. The loss of a key leader could quickly change government support for U.S. and coalition operations.

For example, President Musharraf was recently the target of two sophisticated assassination attempts. His support for the global war on terrorism, Afghan policy, restrictions on Kashmiri militants and attempts to improve relations with India are all important initiatives that have increased his vulnerability.

Despite some positive developments, such as recent events in Libya, the trends with respect to proliferation of weapons of mass destruction and missiles remain troublesome. North Korea's reactivation of the Yongbyon nuclear facility and revelations over Iranian nuclear enrichment reinforce concerns. Other states continue to develop biological and chemical weapons capabilities and improve their ballistic and cruise missiles. Proliferation of WMD and missile-related technologies continues and new supply networks challenge counter-proliferation efforts.

With respect to China and Russia, China continues to develop or import modern weapons. China's Liberation Army acquisition priorities includes surface combatants and submarines, air defense, modern fighter aircraft, ballistic and anti-ship cruise missiles, space and counter-space systems and modern ground equipment.

Domestic political events in Taipei are the principal determinant of short-term stability in the Taiwan Straits. Beijing is monitoring developments in advance of next month's presidential elections and referendum, ever concerned about a Taiwan declaration of independence. Beijing will not tolerate the island's independence and will use military force, regardless of the costs or risks. However, we see no indication of preparations for large-scale military exercises or other military activity to influence Taiwan voters at this stage.

After nearly a decade of declining activity, the Russian military is beginning to exercise its forces in mission areas tied to deterrence, global reach and rapid reaction. Moscow is attempting to reclaim great power status. Its military spending has increased in real terms in the past four years in line with its improving economy.

In closing, defense intelligence is working hard to improve the processes, techniques and capabilities necessary to counter the current threats and emerging security challenges and to take advantage of opportunities. Our global commitments have stressed our people and our capabilities. Nonetheless, I am confident we will continue to supply our decisionmakers with the knowledge necessary for success.

Thank you, Mr. Chairman.

Chairman ROBERTS. We thank all three of you for your testimony.

I would say to members that we are providing six minutes for each member, and then if there is time and desire for a second round that will also be the case.

Let me indicate that there has been considerable interest in the Committee holding a hearing in reference to the recommendations made by the 9/11 investigation by the House and Senate Intelligence Committees as of the last session of Congress on the recommendations and reforms that were listed in that document. That, of course, went to the independent commission, which is now the 9/11 commission. And so we will have a hearing on those recommendations.

And it would be the hope of the Chairman that when we finally conclude or that we do conclude the inquiry and we make the inquiry public after redaction, when we have a public hearing, that we come up with the conclusion and also some recommendations in regards to a positive effect to address some of the systemic challenges we face in the Intelligence Community.

I know that in an even-numbered year where we have adjectives and adverbs that are somewhat unique, as opposed to an odd-number year, it may be difficult to leapfrog that and to get into conclusions and recommendations, but that would be the hope of the Chair.

Both of you have indicated that attacks on coalition forces and on the newly-created Iraqi security forces have continued at a steady pace. That's certainly not a secret to any American. Events have shown us that the sophistication of those attacks has increased. There is no sign that the people behind the attacks plan to stop. In fact, it appears that the opposition has hoped to block or derail any moves toward a transition of governing authority.

I would address this question to the DCI and to the DIA Director. First, is this working?

Second, will coalition forces and Iraqi security forces be capable of identifying and also eliminating the main body of the oppositionists and the foreign fighters?

And third, in your opinion, what are the most important factors that will determine whether Iraqi Sunnis and Shia will, in the long term, side with forces of peace and stability rather than continue or accelerate opposition to the new government order in Iraq?

And I would ask Mr. Tenet if he would respond.

Director TENET. You asked a number of questions, Mr. Chairman.

First, the transition to sovereignty and a functioning state is exactly what the insurgents and the jihadists oppose the most. It's the biggest threat to them over the long term.

Now, in terms of how we're doing against these, I think that we would say that, over time, both we and the military, particularly at local levels, have very good knowledge of these networks, both in terms of the insurgency and the jihadists. And we're making progress.

Security is linked to economics and politics in an integrated manner. Security is very, very important.

The fact that Sunnis are beginning to engage in a political process, form umbrella organizations, the fact that Ayatollah Sistani is meeting with Sunni notables, the fact that tribal elements that constitute Sunnis and Shias are beginning to talk about a political process is a healthy thing.

Clearly, economic developments, particularly in the Sunni heartland, dealing with unemployment, taking young men off the street, putting them in a job—all of these things work in a process interlinked together that makes progress. It's hard. We're better than we were 90 days ago. The fact that there is a dialogue between Sunnis and Shias and Kurds, as much ferment as it creates, is a positive sign that must end up in Iraqi sovereignty.

And the key, ultimately, is—if John Abizaid were here, he would say the key is we need to transition from U.S. forces being up front, to Iraqis, through police forces, civil defense battalions taking the action to be seen as protecting themselves.

One final word about the foreign jihadists: Success here for them, they understand that Iraq is a very difficult operating environment, even while they operate against us. Iraqis are turning them in in bigger numbers. They're talking to us about them. They don't belong there.

As this political process matures, I think we're going to be better off, but it will be hard and slow and every day you will not have the kind of progress that you want, but we're moving in the right direction.

Chairman ROBERTS. Admiral.

Admiral JACOBY. Mr. Chairman, I agree with the DCI that certainly the factors are stability and an economic and political situation that shows a brighter future than the past or present. I also believe that their efforts are making progress, partly by the fact that people are coming forward and providing more information against the former regime elements or the foreign fighters.

But I think one of the more demonstrable factors for progress is the fact that the police are now a very clear target of attack in an anti-stability kind of an approach and police recruits are still lining up in large numbers to be trained and join the force.

And so I think that there are a number of elements there that talk about progress, and the focus, as the DCI said, needs to be on that evolving situation and the set of institutions that need to be in place in order to provide that environment for people to see that they are part of the future.

Chairman ROBERTS. Let me ask a question in regards to Dr. Duelfer who, obviously, is in charge of the Iraq Survey Group. In talking to him before he took on that assignment, he indicated—and I think Dr. Kay indicated—that there was something close to 17,000 boxes of documents that had not been exploited.

My concern is, do we have the translation capability? And the indication from some was that it would take a year to finally work through all the exploitation of those documents to try to make rhyme or reason in regards to the WMD question.

Do your agencies have sufficient translation resources to meet your current mission requirements? Have we been able to plus that up I think is the word we use in the Intelligence Community?

Admiral JACOBY. Mr. Chairman, your numbers are about right—in other words, the 17,000 boxes and about a year's worth of time. The translation capabilities are in place. We are at a target of 24-hour operations for linguists and translators working those documents. And we do have the funding available to pay for the 24-hour operations.

One of the things I would point out, though, is the bulk numbers of boxes are not necessarily indicative of the effort. It is a very targeted kind of effort. In many cases, we know where those documents came from, and so there's a triage on the front end that prioritizes their efforts. And so the areas where we would logically find WMD materials move to the front of the line and so the backlog and the timeline is far shorter for those more profitable areas of exploration.

Chairman ROBERTS. My time is expired. I apologize to my colleagues, but I note that the Director would like to say something.

Director TENET. Mr. Chairman, in terms of Arab linguists, let me just note that ISG in total has about 320 Arab linguists. About 220 of those are sitting in the docex facility doing this work. So in terms of—it's a fairly formidable capability that Admiral Jacoby has assembled.

Admiral JACOBY. With more personnel coming onboard this month.

Chairman ROBERTS. Senator Warner. Oh, I beg your pardon. The second time around, I apologize to the distinguished Vice Chairman who is now kicking me severely underneath the dais.

Chairman ROBERTS. Senator Rockefeller.

Vice Chairman ROCKEFELLER. Thank you, Mr. Chairman.

Admiral Jacoby, we didn't get the other two testimonies until—I didn't have them till this morning, but I did have yours. And once again, I have to say, like I did last year, I thought it was absolutely superb in its scope and what you had to say.

What you just did say, however, raises a question in my mind. You're talking about reading of documents and the availability of translators—you know, the necessary Arabic speakers, et cetera, of different dialects to do that. It's a very different matter when you're going through documents than it is when you're dealing with human intelligence, with assets, with the capacity to do all the other things that have to be done, frankly, many of which will probably turn out to be more important.

And so my question would be not just to you, but also to Director Tenet, because I noticed when I mentioned this point about being stretched thin, that the Director nodded his head a little bit.

It's my impression, in just doing some unclassified reading, that with the switches that are being made in Baghdad and elsewhere, that there are a lot of rather junior people coming in, a lot of retired people being lured back into the service and that the Arabic question remains huge for your purposes.

Director TENET. Sir, I would, say that, obviously, language capabilities is something we're working on very hard. I mean, we've tripled the number of Arabic speakers in the last three years and we won't go into foreign language programs here.

But the point is I think there was a newspaper story that was recently written about Baghdad and Pakistan and it was—

Chairman ROBERTS. George, can you pull that microphone right up?

Director TENET. The truth is that you're asking a priorities question, and here's the way we're working the priority question. The war on terrorism absolutely has to be unaffected by what we do on anything else. So that's covered and Iraq has now created a very large drain of people and resources.

The issue is not in terms of Iraq, or in terms of the war on terrorism, or in terms of proliferation, or let's say another country that we care about a great deal. The issue for us will be global coverage against other issues, where the truth is we are moving people against the highest priorities. And there are issues we're going to have to deal with very, very smartly.

You say we're bringing a lot of older people back. Well, we've had a designated reserve cadre now going back four or five years; that number's been constant as we bring, as you know, more people into the clandestine service and the analytical workforce to match youth and inexperience. And we're just going to have to do it this way and balance our priorities carefully.

Vice Chairman ROCKEFELLER. Thank you.

This is for the Director and for the Admiral. I mentioned that the United States—we basically invaded Iraq as a reason because of our concern about the presence of weapons of mass destruction and also the question of links to al-Qa'ida and other terrorist organizations.

It now appears, at least to this Senator, that Iran actually had closer links to dangerous terrorist organizations, such as Hizbollah and al-Qa'ida, as well as much more advanced WMD capabilities, than Iraq did. So how would you compare, the two of you, the threat posed by Iran today with the threat of Iraq WMD and links to terrorism that you described to this Committee last year at this time? Is Iran a grave and gathering threat?

Director TENET. Well, sir, I think that we've documented year in and year out the Iranian ballistic missile program and what they've acquired from the Russians and the deployment of the Shahab-3 and the development and deployment of longer-range missiles. And certainly, in classified closed testimony we've talked to you over the years about our concerns about their nuclear program.

With regard to the Hizbollah relationship, that's not new. We've talked about Iranian support for Hizbollah for years.

I think, you know, there are two different sets of issues involved in terms of what policy responses people might choose. And they are very, very different in this regard. So it's an apples and oranges on a gathering situation where there was a great deal of concern about in terms of what we didn't know, what we were deceived and denied about. And so there was a high probability impact in terms of what was being denied to us that caused us a great deal of concern.

In the Iranian case, I think there's been steady work and understanding of the Iranian phenomenon, both on the nuclear and the ballistic missile side, and in the classified context that we've talked to you over the years on chemical and biological weapons as well, that Iran poses problems, to be sure, things that we've talked to you about consistently year in and year out. What you do about them and what policy solutions you choose is up to you and others to decide.

Admiral JACOBY. Senator, I believe the same in terms of the capabilities discussion.

I think one thing that's more crystal clear to us this year, although it would have been projected last year, is the hardliners and reformists situation. I think it's very clear coming out of the elections that the reform movement has lost momentum, lost steam. And so we need to be putting the capabilities discussion in the context of continued hardline leadership.

Director TENET. Senator Rockefeller, can I make just one other point on this?

Vice Chairman ROCKEFELLER. Yes, because I would like it—I have two seconds left.

Director TENET. I'm sorry.

Vice Chairman ROCKEFELLER. Simply because it seems to me you're both avoiding the obvious question that I'm asking: What it looks like today, what it looked like a year ago, what would you do? You say, "Well, let's slough it off to the policymakers." That's a little harder argument to make these days than it was before.

Director TENET. Well, sir, I would say that what we're doing with Iran today—and you've got an IAEA relationship, that's a positive thing. I think we need to work through that, in terms of since they've opened up and are giving us data, and they're complying. That's an important way to get at their nuclear program.

There's a difference in terms of the two societies. If you're going to look, you know, Iran has a society that had two elections, had a reform movement, has a political dialogue, has a certain amount of openness to it. So when you contemplate the fact that 63 percent of the Iranian population was born after 1979, with a new generation, it's a complicating issue in terms of how you juxtapose that kind of a society that's trying to reform. And while the reformers

may be in tough shape, we don't want to dissuade them from picking up and continuing what, obviously, is a discredited clerical rule, when they may go forward in the future. There's a difference between a very closed society and an open society with a political dialogue.

So there are very big differences, notwithstanding advances on nuclear issues and on support for terrorism that we've documented for years.

Vice Chairman ROCKEFELLER. Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Warner, I've recognized you twice. The third time's the charm.

Senator WARNER. Thank you very much. I've been waiting patiently.

I wish to commend you all on your statements, gentlemen. I think they were strong, positive statements reflecting within the Executive branch the strongest of support for your individual and collective endeavors on the war against terrorism.

We have as a nation, nevertheless, suffered some degree of loss of credibility. It's debatable. I think it's going to be recoverable in the end, but in the meantime, has this in any way affected your ability to make contacts within nations other than the traditional governmental contact with your counterparts? Has the support of your counterparts been noticeably lessened? And has your ability to make your own independent contacts with other sources of intelligence lessened in any way?

We'll start with you, Director.

Director TENET. No, sir. I would say that if we look at an example, whether it's the war on terrorism or contacts with our foreign counterparts on proliferation, no, sir, nobody has changed their attitude toward us. People are as cooperative as they've been. We're working toward a common framework. Many of our colleagues saw it the same way we did. And so, no, I see no diminution in the willingness of people who work with us in intelligence channels to get our job done.

Senator WARNER. So the professionals have stayed out of the fray of the political exchanges, particularly with some of the nations in Europe, and you feel that your contacts with those counterpart agencies are as strong as ever?

Director TENET. Sir, notwithstanding political differences—

Senator WARNER. Yes.

Director TENET [continuing]. Our relationship with our European colleagues is very, very strong. And even in cases where there are very big differences politically, terrorism is—for example, we have very big differences of view with the French on policy issues, for example, but on terrorism excellent cooperation across the board.

Senator WARNER. I think that's reassuring.

Director Mueller.

Director MUELLER. I would agree. Over the last couple of weeks, I've had opportunities to meet with counterparts from France, Germany. Yesterday I met with the German Interior Minister. Our relationships have been excellent with him over the last couple of years. They are still superb with our counterparts in Germany and France. Our relationships could not be better, regardless of what else happens.

Admiral JACOBY. Senator Warner, my counterparts, if anything, are coming forward with more offers of cooperation and more opportunities as we seek them out, so, no sir, no problems.

Senator WARNER. Director Tenet, the Armed Services Committee had the opportunity to hear from Dr. Kay. And I've also had a long discussion with General Dayton and Dr. Duelfer before he departed.

Can you assure this Committee that particularly your agency and that of the Department of Defense are giving the strongest of support to continuing the search for weapons of mass destruction under the Iraq Survey Group?

Director TENET. Yes, sir, I was out in Baghdad last week and I can tell you that it's as strong as ever and there's a very good reason—

Senator WARNER. Of resources and people and the like?

Director TENET. Yes, sir, that was absolutely the case. There was a lot of work going on out there. They're doing a great job. I had the pleasure to meet with them and talk to them. They're generating a lot of leads. They're working on a lot of issues and cooperation is very good.

Senator WARNER. Director Mueller, under your jurisdiction comes the seaports of America. We're very proud to have a very large one in my state. I didn't hear in your opening statement any particular emphasis on working with the local authorities and other agencies of the government in giving us the maximum protection for those ports which particularly are highly vulnerable to terrorist attack.

Director MUELLER. Senator, I would tell you, wherever we have a seaport that is a potential target, our Joint Terrorism Task Forces work exceptionally closely with our counterparts at the federal level but also at the state and local level. In some cases—I'm not certain—actually I think in Virginia Beach, particularly in that area, there have been extraordinary measures. By extraordinary I mean measures above and beyond just the Joint Terrorism Task Force—

Senator WARNER. I'm acquainted with that.

Director MUELLER [continuing]. That are taken to assure the protection of those seaports. So we have the basic level, the Joint Terrorism Task Force, but in many of our areas we have enhanced cooperative efforts.

Senator WARNER. Good.

Admiral Jacoby, with reference to Haiti, it's a rapidly transitioning event there. What is the probability that this country could once again experience the exodus from that nation seeking refuge on our shores in the event that the instability progresses at a rate that it's now, I think, just about on the brink of capitulation? Would you give us a more in-depth survey about Haiti and the problems of the boat people again?

Admiral JACOBY. Senator, the northern half of the country basically now has been—police posts and other government facilities have been abandoned.

We're watching closely for any preparations for exodus, sir. And I can report to you at this point that we have not seen that, nor any typical signals, in terms of moving of boats and so forth in the

northern part of the country. We haven't seen that yet. But it is certainly a concern and it's a focus of attention.

Senator WARNER. Director Tenet, the conflict between Israel and the Palestinian people continues to, I think, fuel a lot of discontent in that area of the world, including far reaches into the situations in Iraq, Syria and otherwise. To what extent can you assure this Committee that your agency is doing everything it can to work toward the success for the program laid down by our President, the road to peace?

Director TENET. Well, sir, we're obviously and have been intimately involved in the past, but I must honestly tell you that we need two partners to come together to give us the ability to do much. And right now we do not have two parties of equal mind or capability or will.

So quite frankly, we're watching this from a very important intelligence-gathering dimension, maintaining our contacts with both sides. But in truth, we need the Palestinian Authority to step up. We need people to come to the table to work with us to exert a willingness. We've laid down specific reform plans for those services, their consolidation under a single leadership, a minister of interior who reports independently to a prime minister. We need more help in this regard to really get back to the point where we did the work we did in 1998, 1999, 2000. We're not there right now, Senator.

Senator WARNER. Well, that's a frank assessment. And I wish to commend you personally for the manner in which you've met the challenges here recently, Director Tenet. They've been quite significant.

Let's move, then, to Syria. I thought we'd have more emphasis on that situation because the tentacles of that nation are very disturbing as it relates to our situation in Iraq and, to some extent, Iran. Could you expand on that?

Director TENET. Sir, I'd like to talk about Syria more extensively in closed session, if I could.

Senator WARNER. All right.

Director TENET. Obviously, the border between Syria and Iraq is something that concerns me.

But I've got some things I'd prefer to talk about in closed session. And, obviously, there are proliferation matters here, there are matters about the continuing harboring of Palestinian rejectionist groups whose public relations outfits may have been shut down but the operations haven't been shut down. So there's a whole slew of issues to talk about here.

Senator WARNER. In Afghanistan, there are many positive signs, but one that concerns us greatly is the continuing proliferation of the drug trade and the dollars that flow from it, which are fueling many of the activities in opposition to the coalition forces' effort to bring about a greater degree of democracy. It seems to me that that is not receiving the proper level of attention. Could you comment on that?

Director TENET. Sir, I'd say the following: It is an important issue. More important, we need to get the southeastern provinces along the Pakistani border and that security situation under control.

While Admiral Jacoby referred to the fact that we are concerned about Taliban suicide attacks and attacks on soft targets, it is also true that the Taliban cannot operate against us in set military maneuvers because of what we do back to them.

So we've got to sort of get reconstruction moving in the right direction. President Karzai, we have to be in the position where he offsets what people produce from narcotics with alternative programs. We have to clarify the security situation.

And the sequence, sir, I would say, we've got to get there and do more, but we've got to have a sequence here that makes sense that results in the government spreading out broader, he extending his influence onto that border, with us in a better way and then we've got to get to narcotics. It's just a sequencing issue that we have to pay attention to.

Senator WARNER. Close out on Usama bin Laden: Has there been any lessening, in your opinion, of the efforts by our nation and other nations to capture him or otherwise to determine his whereabouts? Because that remains a very important issue to the American people, and there's so much criticism that Iraq has drained off that emphasis. I do not find that to be the case. I hope you can assure us that is not the case.

Director TENET. No lessening of the effort, sir.

Senator WARNER. Admiral.

Admiral JACOBY. No lessening, sir.

Senator WARNER. Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Levin.

Senator LEVIN. Let me ask Director Tenet first about the unsettled military and political situation in Iraq which is directly threatening our troops on a daily basis, threatens regional stability and American security.

Press reports state that CIA officers in Iraq are warning that the country may be on a path to civil war. My question is this: Would the transfer of sovereignty by June 30, if there's no consensus on the procedures of governing between the transfer of sovereignty and the holding of direct elections, would that transfer of sovereignty be destabilizing?

Director TENET. Sir, obviously, this is an issue that they're all working on right now that I don't have enough transparency into. It's between the U.N. special envoy and Ambassador Bremer.

Senator LEVIN. I'm asking you for an intelligence assessment.

Director TENET. Yes, sir. I think it's important to have a continuum and those agreements lashed up. I do think that moving to some transfer of sovereignty in the long term, with an idea for when elections may occur, how a transitional law, whatever body is elected, all of which has to be known and laid out in a program—and I think that will actually work to our benefit.

Senator LEVIN. And if there is no such agreement before the transfer of sovereignty, then what?

Director TENET. Well, sir, at this moment, the civil war scenario, it's obviously something we watch very carefully.

But given what I said in my statement about what I see as the increasing coming out of Sunnis, their interaction with Shias, I think Iraqis understand, particularly with the kind of jihadists tar-

getting against Shias that's been exposed, this is not a road they want to go down.

Senator LEVIN. There have been a number of compliments to Dr. Kay here today and before. Do you agree with Dr. Kay's, your chief weapon inspector, statement that the consensus opinion is that the two trailers that were found were not intended for the production of biological weapons? Do you agree with him?

Director TENET. No, sir, there is no consensus on that question.

Senator LEVIN. What is your opinion?

Director TENET. Well, sir, we have two bodies——

Senator LEVIN. And what is your opinion?

Director TENET. At this moment, I'm sitting right in the middle of a big debate. I have analysts in my building who still believe that they were for BW trailers. I have Defense Intelligence Agency analysts who have posited another theory. And the community has not—we don't have enough data, and we haven't wrestled it to the ground yet.

Senator LEVIN. Vice President Cheney just a few weeks ago said the following, that those trailers were, in fact, part of the biological weapons program and that he deems them conclusive evidence that Saddam, in fact, had programs for weapons of mass destruction. Do you agree with Vice President Cheney?

Director TENET. Well, sir, I talked to the Vice President after my Georgetown speech. I don't think he was aware of where we were in terms of the community's disagreement on this. I've talked to him subsequent to that. I've explained the disagreements. I've told him that there's one side that thinks one thing and one side that thinks another thing. So, in fairness to him, I think he was going off of an older judgment that was embodied in a paper.

Senator LEVIN. Was that older judgment the one that is still on your Web site?

Director TENET. Yes, sir.

Senator LEVIN. Why is it still on your Web site?

Director TENET. Sir, we just keep adding. We had a piece of paper at a moment in time. We've added David Kay's piece of paper. I've put my Georgetown speech on it. For transparency and giving people a sense of where we are at any moment in time, I think it's a good thing.

Senator LEVIN. What is the Intelligence Community's assessment of whether or not 9/11 hijacker Mohammed Atta met with Ahmed al-Ani, an alleged Iraq intelligence officer in Iraq in April of 2001?

What is your assessment?

Director TENET. Sir, I know you have a paper up here that outlines all that for you. It's a classified paper. My recollection is we can't prove that one way or another. Is that correct?

Senator LEVIN. The Washington Post says that the CIA has always doubted that it took place. Is that correct?

Director TENET. We have not gathered enough evidence to conclude that it happened, sir. That's just where we are analytically in the——

Senator LEVIN. It's not correct, then, that you doubt that it took place?

Director TENET. Sir, I don't know that it took place. I can't say that it did.

Senator LEVIN. All right.

Last November, the Weekly Standard published excerpts from an alleged classified document that was prepared under Secretary of Defense Feith's leadership. It was dated October 27, 2003. This document was sent to the Senate Intelligence Committee. It alleged an operational relationship between Iraq and the al-Qa'ida terrorist organization. It's become quite a cause celebre.

Did the Department of Defense consult with the CIA before sending that document to the Senate Intelligence Committee?

Director TENET. Can I just check, sir? I don't know myself.

Senator Levin, I have to take it for the record. There's no precise knowledge sitting behind me at this point.

Senator LEVIN. Relative to the uranium allegation, the allegation that Iraq was seeking uranium in Africa, you took personal responsibility for the error—

Director TENET. Yes, sir.

Senator LEVIN [continuing]. In the State of the Union address—

Director TENET. I did.

Senator LEVIN [continuing]. Even though you had apparently personally urged the NSC Deputy Director, Stephen Hadley, not to make that claim a few months earlier.

And my question to you is this: A week before the State of the Union address, President Bush submitted an unclassified report to Congress on January 20, 2003. In that document, he said that Iraq had failed to explain its "attempts to acquire uranium." So it's not just that that statement was made in the State of the Union message; it was made in a very visible public way in a report to Congress, which the President was required to file pursuant to the legislation authorizing him to proceed to war.

My question to you is whether or not the CIA cleared that January 20 document.

Director TENET. Sir, I do not know and I'll take it for the record and get back to you.

Senator LEVIN. Are you familiar with the document?

Director TENET. Personally, no.

Senator LEVIN. Thank you. My time is up.

Chairman ROBERTS. Senator Hagel.

Senator HAGEL. Mr. Chairman, thank you.

Gentlemen, thank you for your testimony and time this morning.

Director Tenet, I want to refer in your testimony to the specific area that you addressed regarding economic development in Iraq. And if I may read from your testimony, you noted: "By next year revenues from oil exports should cover the cost of basic government operations and contribute several billion dollars toward reconstruction. It is essential, however, that the Iraq-Turkey pipeline be reopened and oil facilities be well protected from insurgent sabotage."

My questions are these. First, this is a—

Director TENET. I'm sorry, sir. What page are you on? I apologize.

Senator HAGEL. I'm working off of page 10 on the draft. It's a draft. I don't know where it is in yours.

Director TENET. Yes, sir.

Senator HAGEL. My first question is, this is the first time I have seen in writing from any Administration officials reference to "con-

tributing several billion dollars toward reconstruction.” The Foreign Relations Committee, other committees that I sit on and I’m aware of up here have not had the opportunity to explore that reconstruction possibility. In fact, we have been told that, most likely, the oil revenues would cover just operating costs. Now you’re saying that it would add several billion dollars.

I want to address that as well as that you rightly appropriately note that that’s contingent upon the Iraq-Turkey pipeline reopening and the security of those facilities. If you could also address where we are on the reopening of the pipeline, what are we doing to address your very important and significant point that these oil revenues are absolutely contingent upon the two factors.

Director TENET. Sir, on the where we are on the pipeline, I’ll just have to come back to you. I have an expert here who I know knows this and we did believe when we wrote this that it would have a contributing effect toward reconstruction. That’s at least our analytical judgment. Now, if we’re off by that, we’ll come back but I don’t think we have a different view.

I can’t take you much farther than what I’ve said, sir.

Senator HAGEL. Okay. Director Tenet that’s fine and you’ll provide then answers for the record on all the points.

Also, I noted in your testimony on a couple of occasions, you referenced—I believe this is from your statement—“managing Kurdish autonomy in a federal structure.” I then assume that means that the accepted position of the Administration is that, in fact, Kurdistan is going to be an autonomous region.

Director TENET. Sir, actually, that’s all being negotiated on the ground in terms of what those provisions are going to look like, how much decentralized authority and control the Kurds may or may not have. And at this moment, it is an issue, and I posit it as an issue, but Jerry Bremer and the people on the ground are working on this right now. So I just raise it as something that is out there that has to be dealt with and I don’t know where the process will end.

Senator HAGEL. So, as far as you know, that decision has not been made that, in fact, Kurdistan will be an autonomous part of a federal system.

Director TENET. I think this is a product of very fluid discussions and negotiations on the ground. All I do is raise the issue and say this is something that has to be dealt with. And I can’t really posit where they are today.

Senator HAGEL. Thank you.

On Afghanistan, picking up on a question that Chairman Warner addressed, the doubling of opium production—which is not good news for any of us, doubling of opium production last year—what’s your analysis of elections? And I would also be interested in Admiral Jacoby’s answering this question as well.

Director TENET. Well, sir, the first thing I would say is that the loya jurga that was recently concluded was very successful by anybody’s account. Karzai did extremely well. Fahim Khan, his Vice President, is backing him strongly. That’s important from the Panjshiri concept, from that context, to make sure that there’s unity between two communities of different stripes even if there’s—I don’t know—there’s been some reporting that suggests there

might be slippage in the election process because of mechanical issues.

One of the other things that I say in my statement is while warlords are something that Karzai has to deal with, they appear disunited. He appears to have a good strategy to think about dealing with them.

And as these PRT teams—these reconstruction teams that NATO gets in the country—starts to get out and extend the writ of the government through assistance, it's going to make this all better. So reconstruction—we have to keep our eye on the reconstruction ball and move it forward.

Karzai appears to be the most popular man in the country, and we'll see. But what's come out of this loya jurga process is the most hope for this country in many, many years.

Senator HAGEL. I've gotten—and I do want to get your comments, Admiral Jacoby—but I've gotten as recently as two days ago assessments from people on the ground and officials who know about what's going on over there—very significant reports of intimidation, which I know you have factored into your thinking on this, especially with intelligence—and if you want to go deeper into that this afternoon——

Director TENET. If we're talking about Taliban-based intimidation——

Senator HAGEL. As well as other intimidation to hold people back.

Director TENET. The shift in strategy is away from set pieces in fighting us to going after NGOs, softer targets and suicide operations. So this is an issue that we have to deal with, because this is the most effective way for them to operate against us and thwart this change. Particularly in the southeastern provinces, the concern is that this kind of activity wedge its way up into Kabul. Now you're talking about singletons who can do things.

So this is something we're very mindful of. This tension exists. There's no doubt about it. I don't want anybody walking out of here thinking Afghanistan is totally safe. It's in a heck of a lot better place than it was. But the Taliban remnants operating over the Pakistani border into Afghanistan, back and forth, is still an issue that we are dealing with quite hard.

Senator HAGEL. I even received reports regarding the north on this, as well.

But, Admiral Jacoby, would you——

Admiral JACOBY. I second what the DCI just said, that last part being the key part from our standpoint; the ability to establish that stability and keep the reconstruction efforts on track is absolutely the key from our standpoint.

Senator HAGEL. Thank you.

Mr. Chairman, thank you.

Chairman ROBERTS. Senator SNOWE.

Senator SNOWE. Thank you, Mr. Chairman.

I want to welcome all of our witnesses here today.

Director Tenet, you mentioned in your speech at Georgetown that the analysts never said there was an imminent threat with respect to Iraq. In the National Security Strategy that was issued back on September 17, 2002, the President outlined his strategy of preemp-

tion, and noted that, "When the threat is imminent, the nation has the right to conduct preemptive operations."

Obviously, from the President to the Vice President to Secretary Powell and so on, words such as "grave threat," "a danger that is grave and growing," "a serious and mounting threat," "continuing threat"—if it wasn't an imminent threat in your mind, how would you have characterized or assessed the threat at that point in time?

Director TENET. I would have characterized it as something that was grave and gathering, something that we were quite worried about—quite worried about the nature of surprise.

One of the second key judgments we've said in our National Intelligence Estimate is that we are very worried about what we don't know, not on the short side, but our concern was that, through deception and denial, there was much that we did not know.

And given the history of deception and what the U.N. didn't find and his pattern of activity, our concern was that these programs—in fact, we state quite clearly in our estimate—these programs have gotten bigger, that he has chemical and biological weapons.

So that the risk calculus, I think, that you carry forward to a policymaker who then has to think about all this is: Can I be surprised? I have been surprised previously. What do you want to do about it?

Senator SNOWE. And so you would agree with the characterizations that were made by the President, the Vice President, Secretary Powell, in that respect, but not with the National Security Strategy that was issued in September 17, the basis of preemption?

Director TENET. I've just characterized, Senator Snowe, characterized what I think and how I was thinking about this at the time. I haven't parsed everybody's words and I don't want to do that.

Senator SNOWE. Well, no, because you made a very explicit statement on that and obviously I think it sends, you know, a mixed message. I was going back and reviewing exactly who said what when and I think that is important for all of us to put it in context. And I notice that the National Security Strategy did include the basis for a preemptive action was an imminent threat. So we're talking about either parsing words, nuances, what's immediate as opposed to imminent.

Director TENET. Or where are you going to be surprised and how soon are you going to know, and when you're surprised, are your options limited for what you may want to do about it?

And that's always, I think—I don't want to go over into the policymaker's venue here, but I think from our perspective one of the things we have always worried about—and the history matters here. Surprised in 1991 about a nuclear weapon, consistently surprised about what he didn't—well, not surprised, but fully knowledgeable about things that he never, as UNSCOM left in 1998, fully documenting things they could not document.

And then we had things like procurement activities that caused us concern that were clearly intended to deceive and deny, reconstruction of dual-use facilities that caused us concerns, and we'll talk about this next week when we talk about it in closed session, but there were clear evolutions based on things that people were quite worried about, notwithstanding the fact it wasn't all perfect

and we always obviously know we're looking at the tradecraft now, but there's a historical context here of how we've thought about this fellow that goes back eight or nine years and that's the context we tried to bring to it.

Senator SNOWE. Now, I understand that. But in terms of policymakers, that makes it extraordinarily difficult. When you start nuancing words—and you were right in saying, you know, intelligence is an inexact science; I think we all agree with that. Therefore, calibrating the threat in the types of words that are used become ever more important under that scenario.

Director TENET. Yes, ma'am, but I will also say that, you know, whether it stands up or it doesn't stand up over the course of time is something we're going to look at quite carefully.

When you look at the key judgments and what we said, we said he had chemical and biological weapons. We said that with high confidence. We talked about mobile production facilities. We ascribed confidence levels. But we said things quite assertively in our key judgments that caused the policymaker to have and look at this thing in a way that he or she had to assess risk.

Those are just the facts as we know them today. We can go back and, of course, we will and look at all of this work. And make judgments about did we word everything carefully, did we have the right context and everything. That's appropriate. We need to go do that as professionals.

But that's the context.

Senator SNOWE. I'm just wondering then, would you think that we then took this action on Iraq on a lesser standard than imminent?

Director TENET. Well, I don't want to go back—see, now we're into a realm of what all the policymakers were thinking about this. And I don't want to go back and parse their words. But I think what we looked at—for example, there was a question raised with me when we talked about this once before where the question was raised: Isn't Kim Jong Il a more immediate threat than Saddam Hussein is? And my answer at the time was Kim Jong Il's progress in the developing of these weapons have left us with little option to deal with him in a very complicated environment.

If you go back and look—for example, let's just look at where we are today, for purposes of the argument. If you go back and look at—just look at, I know to date we didn't find chemical and biological weapons. Look at the ballistic missile program and in fact we were dead on in terms of where that was going.

So let's posit for example that, as David Kay did in his interim report, that if he had seed stocks, he could quickly surge to produce biological weapons with a ballistic missile.

Now, what do you do about that? Do you do something about it now or do you wait for it to get more difficult? And that's the conundrum we faced our policymakers with.

They made a choice. We're looking, obviously care a great deal about how right and how wrong we were. I've said it's either going to be all right or all wrong. And we've never been on the ground like this before to figure it out, notwithstanding the fact that we're going to find places, to be sure, where we could have done a better

job in our own tradecraft in assessing some of this. But that's the real conundrum people were left with.

Senator SNOWE. Thank you.

Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Chambliss?

Senator CHAMBLISS. Thank you, Mr. Chairman.

Director Tenet, there's a media story out this morning that's generated a lot of emotion in folks and it's the one——

Director TENET. On my part, too, Senator.

Senator CHAMBLISS [continuing]. One relative to a name that was supposedly provided to the CIA by the Germans on one of the individuals who I believe flew into the south tower.

Director TENET. Sir, what I'd like to do in open session is say to you, first, go back to page 186 of the Joint Intelligence Committee Open Study and then go back and look at your classified report, what you did with the House Intelligence Committee and the JIC inquiry—go back and look at page 186, and then go look at the classified piece of paper in your classified report.

And then what I will tell you is, in 1999, the Germans gave us a name, Marwan—that's it—and a phone number. And we didn't sit on our hands and I'm not going to go through the rest of it in open session. They didn't give us a first and a last name until after 9/11, with then additional data. And let me just leave it there.

But I would urge you go back and look at your unclassified and classified report, because that's as far as I want to go here.

Senator CHAMBLISS. Well, you've confirmed what my sources have indicated to me, and that is that this was really piecemeal, kind of, information that was given to us. Prior to 9/11, we did not have, as this media report indicates, the name of an individual and the telephone number of an individual and asked by the Germans to follow that individual. Is that a fair statement?

Director TENET. Sir, sir, I'm going to be careful in open session.

You got a name, named Joe, and here's the phone number—Joe's phone number, no last name. And we did some things to go find out some things, okay. We can give this all to you, okay. We never conclusively got there because we didn't have enough, but we didn't sit around.

But I would urge you to go look at your classified page on this. Take a look at it. That's all I want to say in open session.

Senator CHAMBLISS. Director Mueller, I was pleased to hear you talk about your Office of Intelligence that you've created. And with reference to that, you talked about the increase in translators that you have and the increase in analysts. Now, have you moved those people in there? Do you feel comfortable with where you are from a resource standpoint with regard to operating this Office of Intelligence from a intelligence gathering, translating and analyzing standpoint from a real-time perspective?

Director MUELLER. Let me say the '04 budget, once it was passed, gave us substantial additional resources that we are bringing on board this year. We made some requests also in the '05 budget. It is an ongoing process.

I wouldn't say we're where we want to be at this point, but we've made substantial strides. And the monies accorded to us by Congress and the Administration will, by the end of this year, give us

the cadre of analysts that will bring us a great deal closer to our goal.

Senator CHAMBLISS. And as you and Director Tenet and Admiral Jacoby know, I have been very focused on this issue of information sharing. And with relevance to this Office of Intelligence, what is your relationship with CIA and DIA as well as NSA relative to sharing of that information back and forth with that office?

Director MUELLER. There was one part of the previous question I didn't answer and that was with regard to linguists. There are certain dialects we still have problems with, but we have doubled, if not tripled, our linguists in a number of the Middle Eastern languages. So we're on the way to success there.

In terms of information sharing, the Office of Intelligence, under Maureen Baginski, is an element of it. But the information sharing is at all levels of our organization. I get briefed at 7:15 in the morning. I get a briefing at 5 o'clock. And at those briefings, I have individuals from the CIA, DHS, sitting in in my briefings. I have an FBI senior supervisor sitting in at George's meetings.

We have had over the last couple of years what the 9/11 commission has called "transnational intelligence operations." That is where we have operations that may have come to the attention of the Agency overseas which have tendrils within the United States. And we have put together teams to address them and done it exceptionally successfully.

The exchange of information from the top down to the ranks between our two organizations is far better than it was before September 11, and is truly remarkable.

The advent of the TTIC, the Terrorist Threat Integration Center, and some other mechanisms that allow our analysts to sit together and share information from our various databases has also contributed to that sharing of information.

I'm not certain—I can say we're not where we ultimately want to be. There are things that we are still doing, in terms of communications with other agencies, communications with state and local, but we've made substantial strides.

And I might let George add to that from his perspective, if you give me that opportunity.

Director TENET. I think that the power of the integration, Senator Chambliss, particularly in TTIC, where now you're going to have 14 databases—there are FBI criminal files, there are CIA operational traffic, in addition to data from all other places—coming together in one place for purposes of doing threat analysis is an unprecedented development.

Now, to be sure, we have a long way to go to achieve everything we want to achieve, but from where we were in setting up this organization to where we are today, and then when you look at what we're doing across the community, particularly with FBI and the Intelligence Community, I think, you know, Senator Rockefeller asked the question, "Are we safer today?" Yes, we are, in this regard, because of the advances that we've made. You know, you can't protect against everything but we're in much better shape than we've ever been.

Senator CHAMBLISS. Are those computers talking to each other as well as people talking to each other?

Director MUELLER. There are communications systems that are talking to each other, yes.

Senator CHAMBLISS. Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Feinstein.

Senator FEINSTEIN. Thanks very much, Mr. Chairman.

Mr. Tenet, I'm going to follow up on what Senator Snowe began. Of the key judgments in the unclassified version of the NIE, I want to read three and then I want to ask you what your judgment is today about these three.

The first is that "Baghdad has chemical and biological weapons." That's right at the top. The second is, "Baghdad has begun renewed production of chemical warfare agents, probably including mustard, sarin, cyclosarin and VX." And the third is, "All key aspects—R&D, production and weaponization—of Iraq's offensive BW program are active and most elements are larger and more advanced than they were before the Gulf War."

What is your view of these judgments today?

Director TENET. Yes, ma'am. I want to go back to what I said at Georgetown because I did give provisional judgments in that speech on each of these.

Senator FEINSTEIN. No, I'm asking for your view—the Intelligence Community's view today. Are these in the hands of someone else? Were they nonexistent then? Are they hidden? What is your best judgment today?

Director TENET. Well, I have to tell you I don't want to guess, but I think that we are still looking with ISG on the ground.

Let me give you an example. When David Kay first came back, he came back and told us about clandestine BW research facilities, controlled by the Iraqi Intelligence Service, that we didn't know anything about. Now the question for us is: What does that mean? Are there production facilities that the IIS controlled? And the truth is, we're still working through people and documents. And at this point, I tried, in the speech I gave, to convey where I thought we were.

But what we will do when Charlie Duelfer raises his hand and says that's about as much as we can do, we have to write another National Intelligence Estimate that will take all of this data on board, inform them about what we found and ask our analysts to say, what would you say today on the basis of all the data that you have at your disposal?

We have not yet said take the initial October 30 report—or whenever he was here—and said rack and stack these against your judgments—what would this have done if you'd known about all of these BW finds; what would this have done to your judgments at the time? We simply haven't done that yet.

Senator FEINSTEIN. Well, I'm one for whom this is very difficult, because there are very positive judgments made in this report and we all know what the result has been. And, you know, people voted to authorize use of force based on what we read in these reports.

And I think when we send our military out and find nothing and then Dr. Kay goes over and finds nothing, for the Intelligence Community, I guess you believe something's going to materialize. In terms of weaponization and deployment and then finding nothing,

it's a pretty bitter pill to swallow with respect to the value of intelligence, particularly in a preemptive war.

Director TENET. Well, Senator Feinstein, we're going to talk about this more next week. I'm now looking at all of this, as you are looking at all of this. As a professional, I care about whether we're right or wrong, how we did our tradecraft, what we believe.

Analysts sat down, and the three individuals, primarily our National Intelligence Officer, who wrote this have been doing this for a very long time. They believe what they wrote. They didn't do it cavalierly, and they didn't do it frivolously and they believe they had a connective logic and a tissue to get them to their judgments.

So I believe you have to keep working and looking. I believe you have to know whether this material may have slipped over a border or fallen into somebody's hands or may be used by insurgents against us at some point. We have a responsibility to keep doing this. And we really didn't take charge of this until July. We're spending a lot of money, and we've got a lot of people doing it. But from a professional perspective, we darn well better know, one way or another, and be damn honest about it at the end of the day because we have that responsibility. And that's how we feel about it.

Senator FEINSTEIN. Thank you. I'd like to continue that this afternoon.

Director Mueller, good morning.

Director MUELLER. Good morning.

Senator FEINSTEIN. The PATRIOT Act gave your agency new authorities, both as a law enforcement agency and an intelligence agency. I'd like you, just briefly, to outline how you're using these authorities, particularly those which help you work as part of the Intelligence Community, such as information sharing, and if you could identify any gaps that remain that need strengthening.

Director MUELLER. Let me start with the principal benefit of the PATRIOT Act to our efforts to protect against another 9/11 has been the breaking down of walls between the Intelligence Community and the law enforcement community.

Not all of the breaking down of those walls is attributable to the PATRIOT Act. Some of it is attributable to the decisions of the Foreign Intelligence Surveillance Act Court. Now, prior to September 11, the exchange of information between the Intelligence Community and the law enforcement community was inhibited by statutes and by court rulings and the like. The PATRIOT Act has broken down those walls. Now, the law enforcement community can share intelligence with the Intelligence Community. Since 9/11 and thanks in part to the PATRIOT Act, the Intelligence Community can share intelligence with the law enforcement community.

Our biggest threat in the United States is, as Mr. Tenet pointed out, from groups from overseas who plot overseas, who plan overseas, who finance from overseas and then send operatives into the United States to carry out an attack.

In order to be successful against these groups, we have to share the information. We have to share the information from whence it may come, and whether it comes from the intelligence side from the Agency or DIA, and be able to have the decisionmakers, the policymakers have in front of them the information from the Intelligence Community, as well as that which we may have developed

in the law enforcement community in the United States. And the PATRIOT Act has assisted us in doing that and has made us safer.

There are other relatively minor provisions of the PATRIOT Act that we can discuss at a later date, but that is the principal benefit of the PATRIOT Act.

There are certain other issues that were not addressed in the PATRIOT Act. We have the lone terrorist, not affiliated necessarily with a foreign government or a foreign organization, that remains a threat and which we need some legislation on. That legislation is pending. But that is basically an overall view of the PATRIOT Act and I think one of the principal pieces of legislation that we are seeking.

There is one other area, I will tell you, that has been discussed. And that is the issue of subpoenas and our ability to get information swiftly in a terrorist investigation. Now, quite often we are compelled to use national security letters, which are letters that we give to a telephone company, a credit card company, where we need information relating to a terrorist investigation.

And these national security letters have nothing behind them. There is no judicial process. And all too often we find that there are companies that just say, we'll get to it when we want to get to it. It's down at the bottom of the line. And our concern is often this information, whether it be a telephone toll or financial information or credit card information, is too important to have under that scenario.

So one of the things that is being addressed is our request for administrative subpoena authority, which we currently have when it comes to addressing narcotics traffickers, for instance. And so the argument is if we have that authority for narcotics cases—drug cases—doesn't it make some sense to have comparable authority when it comes to terrorist cases.

Senator FEINSTEIN. Thanks very much. My time is up.

Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Durbin.

Senator DURBIN. Thank you very much, Mr. Chairman. I thank the witnesses for appearing today and for your service to our country.

Director Tenet, it is rare when speculation comes face to face with facts, but that's what has happened in Iraq. The speculation and supposition that led up to our invasion now must face the certainties and near certainties that we have uncovered after spending ten months or more on the ground in Iraq.

In the words of Dr. Kay, "It turns out we were all wrong," wrong, I might say, in looking in retrospect, about the nuclear weapons and weapons of mass destruction, their numbers, their location, their threat. It is now declassified. I mean, we're as specific as saying: Here are the most likely sites you will find weapons of mass destruction in Iraq. And Dr. Kay has said there was nothing there.

We were wrong about the al-Qa'ida connection, which was alleged before our invasion of Iraq. We were wrong in speculating about the Iraqi reaction to our invasion, the flowers in the gun muzzles and things that just didn't happen. We were wrong about the nature, the complexity, the timetable and the cost about rebuilding Iraq.

There are only two possible conclusions that I think we can reach. And if you have a third, please let me know. One is our intelligence operations failed in a historic way in accurately assessing the threat in Iraq and what would happen after we deposed Saddam Hussein or, secondly, that our political leaders misled the American people in the build-up to the war. That is a very grave assertion, particularly in a democracy.

If the government misleads the governed in something as basic and grave as war and the sacrifice of American life, there can be no more serious charge made in a democracy.

Now I've read your Georgetown speech. And I've tried to compare it and to figure out which side we come down on here, whether or not those who assert that intelligence failed that led to these wrong conclusions or those assert that intelligence didn't fail, the politicians just misstated what we told them. Let me go to two specifics. You say on page six of your Georgetown speech, basically, we didn't find chemical or biological weapons.

Director TENET. Yes.

Senator DURBIN. All right, I'll give you that. We've gone to the identified locations, we found nothing, we've come up empty. On September 19, 2002, Secretary Rumsfeld told the Senate Armed Services Committee, "We should be just as concerned about the immediate threat from biological weapons; Iraq has these weapons." Now, that directly contradicts what you said at Georgetown. You said that we haven't found these weapons, we don't have these weapons. Secretary Rumsfeld said that Iraq has these weapons. And then you said in the Georgetown speech: The Intelligence Community "never said there was an imminent threat."

September 28, 2002, President Bush, in his radio address, "The danger to our country is grave and it is growing. The Iraqi regime possesses biological and chemical weapons, is rebuilding the facilities to make more and, according to the British government, could launch a biological or chemical attack in as little as 45 minutes after the order is given."

We can't have it both ways. If you were accurate in the information you gave to this government, then how in the world can we justify these quotes from the highest elected officials in our land before this war?

Director TENET. Senator, you've raised a bunch of issues and I'd like to——

Senator DURBIN. Please.

Director TENET [continuing]. Try and walk through some of them with you. First of all, I've now worked in two Administrations: Democrat and Republican. I've looked at statements about Iraq going back 10 years, so I'm not going to go to people's statements. I'm going to focus on the intelligence and what we said and what we didn't say and how we believed it.

First of all, I would say to you is it's true at my Georgetown speech, if you go back and look at Dr. Kay's interim report, he said we haven't found weapons. Obviously, I said we haven't found weapons. Obviously we said we judged that he has chemical and biological weapons. We also said very clearly in the National Intelligence Estimate that in the BW arena it's bigger than it was during the Gulf War. I also argued for patience. I also argued that it

is incumbent upon us to work through this to find out whether we were all right and all wrong, because we know on the missile side that we were generally right on the mark. We did better against the UAV programs. We know that he maintained clandestine BW research facilities.

If you go back and read David Kay's interim report, the punch line of course was: We haven't found weapons. And after being in Baghdad last week and talking to the men and women of ISG, they continue to have leads, they continue to have people come to them. And for the purpose of understanding as professionals whether we were right or wrong, and how we did this, we need to find out.

Senator DURBIN. May I ask you this question: If we are going to subscribe to a policy of preemption, then we have to prepare ourselves to invade countries before it is clear that they're an imminent threat. And the only way you reach that conclusion is from intelligence. Now we look at the body of information gathered by our intelligence agencies leading up to the invasion of Iraq, and with hindsight we say we missed the mark.

How can you build a policy of preemption on intelligence if we were so wrong in the lead-up to the invasion of Iraq? We will all concede Saddam Hussein is a bad man, and I'm glad he's out of power. But many more arguments were made to the American people to justify this invasion. And it turns out that the bulk of them were just plain wrong—either bad intelligence or misleading the people.

How can we fight a war on terrorism or have a policy of preemption based on what we have just lived through in Iraq?

Director TENET. Well, sir, you're fighting a war on terrorism very successfully because of intelligence. You got a country called Libya to disarm because of intelligence. You got A.Q. Khan, who I said last year in my public testimony was the biggest purveyor of nuclear weapons that we had to worry about—although I didn't name him—and we've dismantled that network because of intelligence.

We understand that the North Koreans were pursuing an alternative route to an nuclear weapon using highly enriched uranium because of intelligence.

Now, we're not perfect, but we're pretty damn good at what we do. And we care as much as you do about Iraq and whether we were right or wrong. And we're going to work through it in a way where we tell the truth as to whether we were right or wrong.

But at the end of the day, we followed this for eight, nine, 10 years. We had deep concerns about the history, the deceit, what he didn't give the U.N. And, as I said in my Georgetown speech, we worked hard after 1998 to resuscitate sources, and the record was mixed, and we made judgments on a narrower band of data. This is a tough business.

Senator DURBIN. Mr. Tenet, I'm out of time, here. And I'll just say this: At some point, we have to reconcile the things that you've said and the things that were said publicly by the Administration. And where they are in conflict, someone has to be held accountable. And I don't know if it'll be done today; not likely. I don't know if it'll be done by this Committee; I hope so. But at some day, in this open form of government, we have to reconcile this clear conflict.

Chairman ROBERTS. Has the gentleman finished?

Let's see. I can assure the gentleman, as the Chairman of this Committee, that we will continue the thorough job that we have done and that as soon as we can work with the intelligence agencies in regard to issuing a public report, we will do so. And that commitment has been ongoing from the first.

I'm also interested in the various quotes by Members of Congress a year ago, 18 months ago, two years ago, in the previous administration, many of which were more declarative, more aggressive and more specific than what the Directors indicated or anybody in the Administration.

So this is a widespread or this is a wide net out here, in regards to the so-called use of intelligence. That will all be dealt with, and it will all be made public. I'd like to yield now to the distinguished Vice Chairman for any additional questions he might have.

Vice Chairman ROCKEFELLER. Mr. Chairman, thank you. I have two.

And I apologize, but this is important to me. I started out my statement today just simply by saying that I'm wrestling, trying to decide whether the world is safer today than it was when we met a year ago.

Director Tenet, you said that cross-information, information-sharing is a lot better. Of course, that's one piece. That is not a complicated question. You, all three, deal in different ways with that matter every day. It's either, I think, a yes or it's a no, not for the purposes of securing an answer from you but for the purposes of, as a nation, facing up to the truth and what, therefore, how therefore, we're able to lead our people and influence our people into doing what is going to be necessary to do to make sure that we are safer in the event that we are not.

So my first question is, I would repeat the question: Are we safer today in this country than we were when we met a year ago? I'd ask all three of you, briefly. I think it's a one-word answer.

Director TENET. Yes. I'll start with yes.

Director MUELLER. Yes.

Admiral JACOBY. Yes, sir.

Vice Chairman ROCKEFELLER. Okay. Director Tenet, have you read Admiral Jacoby's testimony?

Director TENET. I have not had a chance.

Vice Chairman ROCKEFELLER. Okay. In it, he says, "Support for America has dropped in most of the Muslim world. Favorable ratings in Morocco,"—this won't go on long—"favorable ratings in Morocco declined from 77 percent in 2000 to 27 percent in the spring; and in Jordan, from 25 percent in 2002, to 1 percent in May of 2003. In Saudi, expressing confidence in the United States, they dropped from 63 percent in May of 2002, to 11 percent in October of 2003."

Now, you have just answered that the world is a safer place, all three of you, and with one word. Would you agree that there is some conflict that we need to be thinking about seriously in a bipartisan fashion, professionally, as people who deal with intelligence and care about and love our country, with the fact that these enormous declines of support give hint to the creation, as two of you have put in your testimony, the creation of a world of increased jihadist activity.

And, as you indicated, Director Tenet, at the end of your testimony you addressed this whole question of poverty and all that. You did it very well, as you always do, Admiral. And the whole question of more fertile breeding grounds for radical political Islam is very much on us.

Now, these are impacts which don't necessarily change your answers because they have not all yet happened. But if they are in the process of happening—people are becoming radicalized, want to kill Americans more, wherever that might be, or those who support Americans—how does that differentiate or separate itself from a world being more safe?

Director TENET. The way you differentiate it, Senator, is, for example, let's pick a place like Morocco. See, part of this is what people think of us, and part of this is what people are doing inside their own governments to reform their governments. Look at a place like Morocco, where they're committed to greater economic reform, opening the society to women. You look at a place like Jordan in terms of recently signing a free trade agreement, the kind of educational and economic opportunities the King is trying to bring to the country.

So all of this, yes, we are outlining for you this movement that I'm talking about that you have to go conquer, half of this—or defeat—or bring people from alienation to believe that the society that they live in offers them educational opportunities and a way out and, therefore, not make them recruitable. But it's the process of reforming some of these societies, their movement to change their own internal dynamic.

I mean, what's interesting in the Middle East is we are sometimes—polling data's interesting—but we are sometimes the manifestation of their feelings about their own society and their own government and the fact that there is governments who are aligned with us.

So there's an equal push on our part to look at all these people and say, you've got to get on with the process of reform. You've got to get on with the process of economic opportunity. And this is a dynamic process.

And somehow, there isn't an American who's going to counter a Salafist message worth anything. Somehow people also within those societies are going to have to counter those messages clerically and with their acts and their deeds, because what we're doing in the war on terrorism is quite tactical.

We know how to run them down. We know how to build better mousetraps. We know how to bring things together. We're just chasing many people all the time. And we're doing it better and better all the time.

But the back-end strategic help for us is not solely—certainly not an intelligence issue, but something that we warn and talk to you about in our papers, to get people to understand that somebody has to get at the business of attacking this phenomenon.

Vice Chairman ROCKEFELLER. And I would agree with that. I would also suggest that for every two or three or four or five countries that you can name, I can name about 20 where things are going in precisely the opposite direction.

Director TENET. Yes, sir.

Vice Chairman ROCKEFELLER. And I'm raising this question not to try to score points, to put you on the point, but to say we have to be honest with ourselves as professionals who deal in this field in that we know that these—in Saudi Arabia, good luck. They're making some changes. How long?

Indonesia—you just go around the world. And we are deceiving our people if we don't let them know how tough a fight this is going to be. And I think that is what I wanted to hear from you. And I think that you've done it in conventional ways, but not in ways that—

Director TENET. Well, sir, I think in my statement, I mean, I apologize here. I didn't mean to interrupt you. But I think in my statement when I tried to give you the sense, because we're talking to the American people here, I know it's great that we've done great work against the central al-Qa'ida leadership, but there's a very important concept. We are still at war against a movement that we're going to have to get after.

And just because we've been successful at preempting and stopping an enormous amount of loss of life here and around the world, there's still an enormous amount of sacrifice required if we're going to stay at this. People who say that this is exaggerated don't look at the same world that I look at. And there's going to be an enormous amount of continued focus and attention required on this issue. It's not going away any time soon.

Admiral JACOBY. Senator, if I could, that was exactly the reason that I put it in my testimony. This is about the potential, it's about the long-term, it's about the kinds of things that we need to, as an Intelligence Community, put our attention and resources and skill mix against because I think you asked the question over the last year. What I'm trying to lay out in the testimony is the environment that exists and the activity by nation states and other movements to deal with this issue. And we're in this for the long haul. And it's a major issue, sir.

Vice Chairman ROCKEFELLER. Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Chambliss.

Senator CHAMBLISS. Thank you, Mr. Chairman. I just have a couple of questions also.

Director Tenet, I want to go back to Senator Durbin's point, because I think it is a valid point and it's certainly been the object of where most of the criticism with reference to Iraq has been directed.

Now, after the Gulf War in '92, we know that he possessed weapons of mass destruction. We knew at that point in time that he had used those weapons of mass destruction. We have interrogated individuals, we've made the searches throughout Iraq, and we have not found either evidence of destruction or disposal of the weapons that we knew he had following the Gulf War, nor have we found evidence of possession of weapons of mass destruction that may have been manufactured in the interim, 10-year, 12-year period, whatever.

Now, with your experience in the Intelligence Community, can you draw any conclusions from those two relative to what may have happened to either the original weapons that he possessed or

weapons that may have been manufactured subsequent to the Gulf War?

Director TENET. Sir, look, there are three or four things we have to—one, when you're talking about the kind of magnitude of things you're looking at, you're looking at things where you're talking about particularly BW capability; it fits in people's garages. So we're not looking at big bulk things that you're going to find quite easily.

Did some of the stuff go over borders? I don't know. Some people have posited that it went here or went there. I don't know the answer to that question.

Am I surprised that, for example, given the fact that we warned our military to be prepared to deal with chemical weapons, that we haven't found chemical weapons, yes, I am surprised, because we certainly believed that he would use those weapons if the regime was at risk. That's what we posited—regime risk and the warning to our military. You know, this is a great mystery to me.

And one of the things we have to do quite professionally is look at this and try to figure out what happened here. And we'll find out. We may have come to different judgments. All I'm saying is, this Intelligence Community and the people that did this work didn't have any outcome in mind. They did it honestly. This is what they believed. And you're going to look through it, and we're going to look through it. And we're going to find things that—we're going to find warts. For sure, we're going to find things that we think could have been done better.

At the end of the day, we're going to have to ask ourselves the question of do you think they made reasonable judgments, and do you think they could have come to different conclusions? And we need a little bit of time and patience to figure all that out.

I wish I could tell you I knew the answer to your question. I don't.

Senator CHAMBLISS. Is that part of what the investigative team that's still within Iraq is looking for?

Director TENET. Yes, sir.

Senator CHAMBLISS. You're going to wish you'd never given that speech in Georgetown by the time we finish dissecting it. [Laughter.]

But in that speech you made the quote on an issue that we have talked about over and over again. And that is, you said that we did not have enough of our own human intelligence. We had difficulty penetrating the Iraqi regime with human sources.

Now, we've talked about this in private sessions, but what can you tell us today for the American public to be able to understand were the difficulties, number one, in penetrating the Iraqi regime and what efforts did you make to penetrate that regime?

Director TENET. Well, sir, after 1998 when we lost the U.N., we obviously realized that because of our intimacy and involvement with the U.N.—which has since been blown in public and everybody knows it—when we were on the ground, we recognized that we had to reconstitute our own unilateral capability. It's an effort that Charlie Allen, who you know, launched on my behalf as the Associate Deputy Director of Central Intelligence.

And here's the bottom line on the HUMINT side. Yes, we recruited a number of people that are all on the periphery. His scientists and the people that you cared about never came out. We never got access to them in a way that would have been beneficial. And essentially, we didn't have our own, kind of, unilateral access that we would have all liked—not because of a lack of effort, but because of how he ran this target, how closely he controlled this society.

But at the end of the day, my judgment was we didn't have enough of our own. So let's not make any excuses and get on with it. And we had other HUMINT and we had liaison reporting and we had defector reporting, all of which is—some of which was very interesting and compelling to us. As much as we used that kind of data in terrorism or other issues, we don't dismiss people; we vetted it. Some of it, we're finding today, there were discrepancies, and such is the nature of this business.

Go look at what happened in the pre-war run-up and take a look at the quality of HUMINT and support to the military. You know, this is excellent across the board. And General Franks would say so and General Abizaid would say so. Different environment, different tactics, different strategy, and that's where we are, sir.

And you know, as I know, when I said in the speech we're rebuilding our HUMINT capability, it by no means means that we're there yet. I mean, we went through, as I said—you know, when I first became Deputy Director, there were 12 people being trained. Nobody looked at recruiting. Nobody looked at the infrastructure. Nobody much cared about it, as near as I can tell.

And we've come all the way back to put ourselves in a very healthy situation that we're going to need another five years of creativity and support to really get the country back to where it needs to be. There's no simple shortcut here.

Senator CHAMBLISS. And what date in time was that when you became Assistant Director?

Director TENET. 1995, I think, sir—1996, some time. It's been so long.

Senator CHAMBLISS. Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Durbin.

Senator DURBIN. Thank you.

I'd like to ask both Director Mueller and Director Tenet about a concern I have. And that is that we have as our goal the integration of various agencies and cooperation of these agencies. In fact, we created the Department of Homeland Security in an effort to integrate and coordinate at a higher level. And now, in his January State of the Union address, the President announced the establishment of the Terrorist Threat Integration Center to coordinate threat information among FBI, CIA, and Department of Homeland Security, merge, and analyze information collected domestically and abroad.

In September of 2003, the President issued a directive creating the Terrorist Screening Center, which has a mandate to develop and maintain, to the extent permitted by law, the most accurate and current information possible about individuals known or suspected of being involved in terrorism.

The Terrorist Threat Integration Center is in the CIA. The Terrorist Screening Center is out of the FBI.

And I asked Director Ridge the other day, Secretary Ridge, did you lose the battle at the table? Weren't you supposed to be the coordinating group? When they gave out stove pipes, did you lose? Were you gone that day? Tell me, how are you working to coordinate what apparently, or to most people on the outside, you'd think would all be together in one place that is now in separate agencies?

Director MUELLER. Well, let me start if I could, and make an initial distinction between collection and the analysis function. There are people that say one big integrated agency is what we want. With integration, you therefore will have the pulling together of all these dots that everybody's looking for. But when it comes to collection within the United States, traditionally and for very good reasons, the FBI has been a collector. When it's overseas, it has been the CIA.

When you take a subject matter such as terrorism, which requires the bringing together of the information that has been collected by the CIA and collected by the FBI, because it's a transnational intelligence challenge, there has to be a mechanism both on the operational side as well as on the analytical side to pull it together.

And what the Terrorist Threat Integration Center does, on the analytical side, is take the information from both of our agencies and analyze it, not collect but analyze it with access to all of our databases so that you can do a search.

Currently, within the various databases by the persons we have assigned from the various agencies, including the Department of Homeland Security, if you've got a subject, you want to do an analytical product, you want to analyze a threat, you have access to all the intelligence information that has been gathered by the various agencies.

When it comes to the other agency that you mentioned, the Terrorist Screening Center, the purpose of the screening center was two-fold. First of all, it is to take the various lists that were in a variety of different components and assure that you have a list that has names on it that have been vetted with properly being on that list, because things happen if you are on that list. And so it's a put-together list of those that have an association with terrorism.

But the second part of it also is when somebody comes in through the border or somebody comes to our attention, there has to be follow-up on it. In the United States, it is the joint terrorism task forces that are responsible for doing the follow-up on a person who is on that list.

Senator DURBIN. That suggests what we hope will be achieved; and that is the coordination of different agencies and the coordination of this information.

Now, Director Mueller, your inspector general's audit at the end of December was troubling—and I'm sure you read it—when he talked about what he found at the FBI. He said the FBI's efforts—and this is on the FBI's efforts to improve sharing of intelligence and information—and he stated, "The process for disseminating intelligence was ad hoc and communicated orally from manager to staff. One CIA detailee characterized the informal process as dis-

organized, noting that information does not flow smoothly within the FBI, let alone externally. In the eight months the CIA detailee had been at the FBI, the detailee said, 'Information goes into a black hole when it comes into this building.'"

Director MUELLER. Well, a couple of things about that. Senator, I'd like to go back. Number one, it was done some time ago, and we've made tremendous changes since then.

Senator DURBIN. This is a report of December 2003.

Director MUELLER. I know, but the work that went into that report was done some time ago.

But I think that is perhaps—and I'd like to go and look at the report because I don't have it in front of me. But I don't think that is an accurate description of where we are. We are not where we want to be, but we are well on the way there in terms of integrating intelligence and information within the FBI, as well as in our efforts to disseminate it throughout the Intelligence Community.

We did not have, prior to September 11, something called a reports officer. We have put out, since September 11, to the Intelligence Community in excess, I think, of 2,000 reports now. They're not only reports that go out throughout the Intelligence Community, but also reports that are used internally within the FBI.

I would take exception to that portion of the report that you have read. I think we've made tremendous strides. As I've indicated before in answer to previous questions, we have the Office of Intelligence. I have Maureen Baginski, who has come over from the NSA, as the head of the Office of Intelligence to make certain that we increase our ability to share the information within the FBI, but also without or outside the FBI.

I don't think that is a fair characterization.

Senator DURBIN. Would you be kind enough to respond, then, if you would, in writing to that report from your inspector general?

Director MUELLER. Absolutely.

Senator DURBIN. Thank you.

Chairman ROBERTS. Admiral Jacoby, you and your analysts have done, I think, an outstanding job in keeping myself and this Committee informed of our ongoing efforts to find out what happened to Captain Scott Speicher. I want to thank you for that.

Could you give us an update on the current status of this effort in terms of trying to ascertain his fate?

Admiral JACOBY. Yes, Mr. Chairman. First, I looked at the most recent notification that came to Congress and it is still basically up to date. There are a relatively small number of active leads still being pursued by the ISG in Iraq. There's still some forensic work being done by FBI laboratories on the beam with the initials on it and some other materials which have been brought back. And we don't have a final report from them.

It remains an active case. As I have promised you all the way through, our assumption is that we will continue to look for Captain Speicher as if he is alive until such time that we find out otherwise. And that's where we are, sir.

Chairman ROBERTS. I truly appreciate that. I think it's not only on his behalf, but for every man and woman who wears the uniform.

Director Mueller, in a speech in New York, December 19, 2002, you stated, "Worldwide we have prevented as many as 100 terrorist attacks or plots including a number here in the U.S." In the year since you made that statement, or years now, how do you assess the terrorist threat to the U.S. homeland? Has it simply increased or diminished or we're doing a lot better? You know, where are we?

Director MUELLER. Well again, this goes back to Senator Rockefeller's question of are we safer today than we were a year ago or two years ago?

Chairman ROBERTS. But has the threat increased or diminished or changed?

Director MUELLER. I think the threat has changed because of the taking away of the sanctuary of Afghanistan, because of the taking away of a number of their principal leaders. I think the threat has changed to the extent that it is much more fragmented. It is fragmented throughout the world. And we cannot look at a relatively organized structure, hierarchy, within al-Qa'ida and expect that to be the nucleus of the planning for future attacks.

What we can anticipate is that various groups around the world with a desire to kill Americans, whether it be overseas or within the United States, may be planning, may be going to persons who were loosely or perhaps even closely affiliated with al-Qa'ida for the technical training on the explosives or the financing, but are basically random players throughout the world.

And it is a changed threat, in my mind, to the United States, no less of a threat than we had perhaps a year ago, perhaps a more significant threat. But we are safer because of the actions that have been taken against al-Qa'ida and the actions that have been taken by Homeland Security, by the FBI and by the CIA and by others within the United States.

Chairman ROBERTS. Director Tenet, I'm going to paraphrase, since everybody else seems to be or has a penchant of quoting things in the press. Basically I'm paraphrasing from Chairman Goss of the House Intelligence Committee in statements that he has made or allegedly made—I'll call him up and apologize later. In regards to 1998 on, upwards to Iraqi Freedom and the kickoff of that, one of the things that the Chairman indicated was everybody said we should have connected the dots, we should have done better in regards to the NIE. But he indicated that there were not many dots to connect.

And you had, sort of, alluded to that in regard to our collection assets, in regard to HUMINT, in regard to MASINT, in regard to SIGINT, that we had to go back in and reconstruct from '98 on what UNSCOM was doing. And I'm extremely concerned about that, given the priority that Iraq had received by all of our national security experts.

Could you, sort of, comment on that, in regard to whether or not Chairman Goss pretty well nailed it on the head?

Director TENET. Well, I don't know, since I'm testifying in front of him this afternoon, I don't know that I want to take him on in open session. Let me go back, Senator, for the record and give you my view of it, Okay?

Because it's that internal access that was most important. Obviously, you've got imagery, and you've got signals intelligence, which

were important to us. But it's the internal access piece that I think is the piece that created the greatest perturbation in our coverage here and our knowledge. So let me come to you for the record and give you my sense of it.

Chairman ROBERTS. I appreciate that. I'm going to ask you one other question, and then I know you want to go to lunch.

Has the Intelligence Community noted any increase or any diminution of Cuba's support to terrorism since September 11, 2001?

And the second part of it is, what is the likelihood that the resumption of U.S. trade with Cuba could hasten the economic and political reform in Cuba?

Director TENET. I'd respectfully take those for the record, sir.

Chairman ROBERTS. All right. Thank you for coming. The hearing is closed.

[Whereupon, at 12:52 p.m., the Committee adjourned.]